INTRODUCTION
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The developments in profit theory during the last fifty years form the object of this study. Of late it has been felt that the theory is not in a satisfactory state. It is difficult, for instance, to give a clear statement of what the current theory of profit is. This was not so at the beginning of the period under review. The development of marginal analysis in economic theory had resulted in a well defined theory of distribution — the marginal productivity theory — that was worked out by a number of economists culminating in the profit theories of J.B. Clark and J.A. Schumpeter. According to this version profits could not exist in the static equilibrium as the competitive process ensured equality between the rewards of the productive services and their contributions to the produce. But in a changing world certain forces tend to disturb the equilibrium as a result of which a surplus, positive or negative, is left over after distribution takes place according to the factorial marginal productivities. These are profits and losses. Profits result from dynamic changes and economic development.
In 1921, F.H. Knight demonstrated that it was not change or development as such but the uncertainty surrounding entrepreneurial decisions in a changing, developing economy that was the root cause of profits and losses. Profits are unimputed value residues arising because of the failure of the competitive process fully to work and establish the equality of factorial rewards with their marginal productivities.

This was the theory of profit at the beginning of the period under review. It was endorsed by the leading economists though it was noted that it explained only 'pure' profits, not the gross profits of business. It was this theory that eventually found its way into standard textbooks on economic theory and dominated the literature on the subject.

The advent of the theories of monopolistic competition and Keynesian macroeconomics during the '30s created a deep impression on economic analysis, necessitating fresh thinking on almost every important subject; and the theory of profit was no exception. During the '40s and '50s a number of attempts were made to re-examine the uncertainty theory in the light of these developments. There were also some new views on the subject and attempts at synthesising the new
ideas with the old theory were undertaken. Keynesian analysis inspired a study of income distribution at the aggregate level resulting in a number of macroeconomic theories of profit.

Some of the contributions to our subject during the last few decades can be directly related to the earlier theories, but there are entirely new strands of thought as well. There is need for an examination of their interrelationship and a careful consideration of their common as well as unique features. It is only by such a comprehensive study that we can hope to arrive at a clearer view of the current state of the theory.

The present study brings together all the important developments in profit theory following Knight's work. It relates recent contributions to the earlier theories and attempts at a comprehensive view of the analysis of profit at the macroeconomic and the microeconomic levels.

To provide an adequate background to Knight's theory older theories of profit have been discussed in the first two chapters. Chapter One traces the development of profit theory from Adam Smith up to the rise of the marginalist school leading to the marginal productivity theory. The profit theories of J.B. Clark and J.A. Schumpeter come in for review in the Second Chapter. Against this background
we proceed to discuss Knight's work in some detail in the
Third Chapter. This Chapter examines critically the
uncertainty theory of profit and notes some of the weak
points in Knight's analysis.

Chapter Four is an evaluation of the later contributions
to the uncertainty theory, specially those of J.R. Hicks,
G.L.S. Shackle and J.F. Weston. An evaluation of these
contributions gives us a clearer idea of the uncertainty
theory as it stands today. Before we pass on to an
examination of the attempt by B.S. Keirstead to incorporate
this theory into a broader framework, we review two important
developments in economic theory that occurred during the
'30s of this century. These are the theories of monopolistic
competition and Keynesian macro-economic analysis. Chapter
Five studies them with a view to bringing out their
implications for the analysis of profit.

Chapter Six summarises and evaluates Keirstead's
attempt at a synthesis between the various strands of thought
in profit theory up to the '50s. Finding this synthesis
inadequate in so far as it fails to take due notice of the
macroeconomic analysis of profit, the Seventh Chapter
discusses the macro-theories of profit presented by Kaldor,
The outcome of our discussion is a fairly clear understanding of the forces determining aggregate gross profits. In conclusion we have tried to relate the macroeconomic analysis of profit with its analysis at the microeconomic level. It has been noted that both the macroeconomic and microeconomic analyses have useful functions to perform.

Throughout this study our approach has been to evaluate critically the various contributions with a view to relating them with one another, noting the points of similarity between them and their unique features. As a result it is now possible to have a more comprehensive and clearer view of the current state of profit theory. We have tried to spell out the essentials of the analysis of profit at the microeconomic and macroeconomic levels.

In preparing this thesis we have fully utilized the literature on the subject available in the English language. We have extensively surveyed the periodical literature of the last fifty years. All the works on profit during the period under review and major earlier contributions to the subject have been carefully studied from original sources.