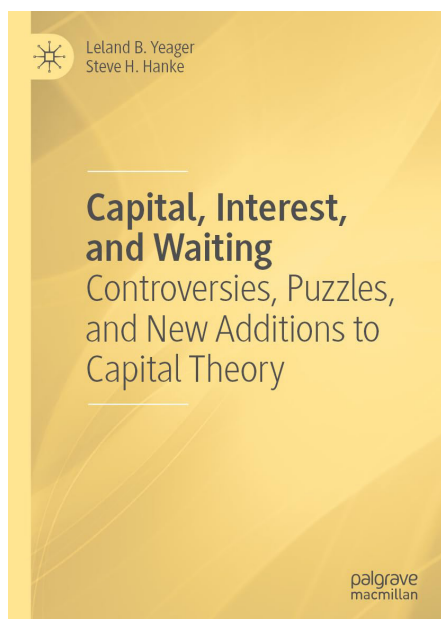


CAPITAL, INTEREST, AND WAITING: CONTROVERSIES, PUZZLES, AND NEW ADDITIONS TO CAPITAL THEORY ... by Leland B. Yeager & Steve H. Hanke



Steve H. Hanke...

For me, last week (1st week of Oct. 2024) was memorable. On Tuesday, *Capital, Interest and Waiting*, a book I co-authored with Leland Yeager, was released by Palgrave Macmillan as an e-book. Hard copies will be available in bookstores shortly. On Friday, October 4th, my friend, mentor, and collaborator of over 50 years—Leland Yeager—would have celebrated his 100th birthday. I wished him a Happy Birthday, knowing that he would have been delighted to know that our book, which had been in the works on-and-off for almost a half-century, had seen the light of day.

First, a word about Yeager. We first met during the summer of 1967 at the University of Virginia. Yeager was the professor; I was the student. What kind of a professor was he? Yeager was just out of this world. As one of his students recounted in a must-read article, *The Yeager Mystique: The Polymath as Teacher, Scholar, and Colleague*: "He was meticulously prepared for every class and his presentation was flawless, beginning with a well organized historical lead into the topic, a detailed explanation of the issues followed by current articles, replies, rejoinders, etc. This stuff was dynamite. Students quickly realized that Yeager had it all and anyone with half a brain knew that he had a once-in-a-lifetime chance to wrap up the whole damn subject—if he could just get every word he uttered written down. So students bent their heads to the task, their hands a virtual blur, and attempted to do the impossible - literally to get every word on paper."

Second, a few words about *Capital, Interest and Waiting*. Leland met the Grim Reaper on April 23, 2018. A few days before that fateful day (on April 5th), Leland had sent me a note in which he said that at 93 and suffering from many ailments, he was in no condition "to contribute much more to the manuscript." Since I had promised to finish our work, I did so, with the help of two loyal and able assistants, Christopher "C.J." Arena and Spencer Ryan. It turned out to be six years of heavy lifting. Never mind, it was worth the strain and the lift.

Many prominent economists—including Nassau Senior, Eugen von Böhm-Bawerk, Gustav Cassel, Irving Fisher, Robert Dorfman, John R. Hicks, and Walter Eucken have recognized or toyed with the idea of production—Yeager and I explore the idea in its entirety and contextualize its relevance in modern-day monetary policy. Our book rests on the history of the controversies and debates that have swirled around capital and interest theory. We simplify capital and interest theory, tie it in better with general micro theory, and clear up certain puzzles by resurrecting the view that the interest rate is the price of "waiting", a factor of production. Waiting is the service performed by holding financial and physical assets instead of selling them and devoting the proceeds to current consumption or to other current exercise of command over resources. Waiting has the dimension of value over time, and its price is the interest rate.

I am pleased to announce that Palgrave Macmillan has just published *Capital, Interest, and Waiting: Controversies, Puzzles, and New Additions to Capital Theory*, a book that I coauthored with my great friend, mentor, and polymath Leland Yeager. Yeager and I dive into the economic theory behind waiting and contextualize its relevance to modern-day monetary policy. The arguments presented within the book embrace extant literature on capital theory, including the numerous controversies, puzzles, and debates that crowd the subject. Those who read this book will be able to challenge long-held beliefs relevant to monetary economics and reconsider their approach to capital theory.

"A great work by two giant interpreters of monetary phenomena."—Richard Vedder, Distinguished Emeritus Professor of Economics, Ohio University and Senior Fellow, Independent Institute

"Read this respected examination of the economic function of waiting in human economic betterment."—Vernon L. Smith, Chapman University, author of *Adam Smith's Theory of Society* (2024), and 2002 Nobel Laureate in Economics

More details, including the table of contents, and purchasing information can be found at the following link, as well as the flyer below:

<https://link.springer.com/book/10.1007/978-3-031-63398-0>

SUMMARY

Prominent economists including Nassau Senior, Eugene von Böhm-Bawerk, Gustav Cassel, Irving Fisher, Walter Eucken, and Robert Dorfman have recognized or toyed with the idea of waiting as a factor of production, but this concept has not yet been explored in its entirety until now. In this book, Leland B. Yeager and Steve H. Hanke dive into the economic theory behind waiting and contextualize its relevance to modern-day monetary policy.

Capital, Interest, and Waiting challenges economists to reconsider capital theory. The arguments presented within the book embrace extant literature on capital theory, including the numerous controversies, puzzles, and debates crowding the subject. These debates range from the Cambridge controversies triggered by Joan Robinson's work to the famous "reswitching" problem to a broader array of important problems in capital theory that were laid out by Walter Eucken, among others.

Leland B. Yeager and Steve H. Hanke present, discuss, and resolve these many complexities of capital theory. Chapters break new ground again and again by demonstrating how waiting is a factor of production and interest is its price. Those who read this book will challenge long-held beliefs relevant to monetary economics and reconsider their approach to capital theory.