



Price Theory

Milton Friedman, Steven G. Medema (Introduction)

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Economics is sometimes divided into two parts: positive economics and normative economics. The former deals with how the economic problem is solved, while the latter deals with how the economic problem should be solved. The effects of price or rent control on the distribution of income are problems of positive economics. The desirability of these effects on income distribution is a problem of normative economics.

Within economics, the major division is between monetary theory and price theory. Monetary theory deals with the level of prices in general, with cyclical and other fluctuations in total output, total employment, and the like. Price theory deals with the allocation of resources among different uses, the price of one item relative to another.

Prices do three kinds of things. They transmit information, they provide an incentive to users of resources to be guided by this information, and they provide an incentive to owners of resources to follow this information. Milton Friedman's classic book provides the theoretical underpinning for and understanding of prices.

Economics is not concerned solely with economic problems. It is a social science, and is therefore concerned primarily with those economic problems whose solutions involve the cooperation and interaction of different individuals. It is concerned with problems involving a single individual only insofar as the individual's behavior has implications for or effects upon other individuals. *Price Theory* is concerned not with economic problems in the abstract, but with how a particular society solves its economic problems.

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From Reader Review Price Theory for online ebook

Frederick Hammill says

Outdated and recycled ideas that are unoriginal and quite bland in nature.

Vance says

If you are interested in learning more about the economic fundamentals of the price system at a higher level of analysis, this book by Milton Friedman is for you. I found it to be enlightening regarding the labor market, distribution of income and wealth, and the business cycle. Friedman has an articulate way of explaining things, explanations in this book are no exception.
