

Growth and Income Distribution
Essays in Economic Theory

LUIGI L. PASINETTI

CAMBRIDGE UNIVERSITY PRESS

CAMBRIDGE

LONDON · NEW YORK · MELBOURNE

Contents

Preface	ix
I A mathematical formulation of the Ricardian system	1
1. <i>Theory of value</i>	1
2. <i>Theory of distribution</i>	4
3. <i>Theory of economic growth</i>	6
4. <i>'Natural' equilibrium in a two-commodity system</i>	6
5. <i>Some characteristics of the Ricardian system</i>	10
6. <i>The market solutions and the attainment of the 'natural' equilibrium</i>	11
7. <i>The equilibrium of the stationary state</i>	13
8. <i>The process of economic growth</i>	15
9. <i>Multi-commodity production</i>	18
10. <i>Concluding remarks</i>	21
<i>Appendix – Existence and uniqueness of stable solutions</i>	22
II The economics of effective demand	29
1. <i>Malthus on effective demand</i>	29
2. <i>The principle of effective demand</i>	31
3. <i>Theories of under-consumption (and over-production)</i>	33
4. <i>J. M. Keynes' 'general theory' of employment</i>	36
5. <i>The principle of effective demand in a different context</i>	41
6. <i>Ricardian features of Keynes' analysis</i>	42
7. <i>Anti-Keynesian features of some 'Keynesian' literature</i>	45

Growth and income distribution

8. <i>The principle of acceleration</i>	48
9. <i>Final remarks</i>	50
<i>Appendix – The ‘lagged’ multiplier</i>	51
III <i>Cyclical fluctuations and economic growth</i>	54
1. <i>The model</i>	55
2. <i>A graphical device</i>	56
3. <i>The dynamics of income</i>	59
4. <i>The dynamics of the stock of capital</i>	63
5. <i>Interrelations between the dynamics of income and the dynamics of capital</i>	63
6. <i>The various interpretations of the endogenous dynamics of an economic system</i>	65
7. <i>Possibility of a steady growth</i>	67
8. <i>The difficulties of providing a theory which may explain both cycles and growth</i>	69
9. <i>A more flexible use of macro-economic models</i>	71
10. <i>A reinterpretation of the complex dynamics of a modern economic system</i>	72
<i>Mathematical appendix</i>	75
IV <i>From Classical to Keynesian economic dynamics</i>	86
1. <i>Pre-Malthusian views on population</i>	86
2. <i>Malthus’ principle of population</i>	88
3. <i>The ‘law of diminishing returns’</i>	89
4. <i>Population growth and technical progress</i>	91
5. <i>Long-run equilibrium conditions – Domar’s contribution</i>	93
6. <i>The ‘natural’ rate of growth – Harrod’s contribution</i>	95
7. <i>New answer to an old Ricardian problem</i>	97
8. <i>Kaldor’s theory of income distribution</i>	99
9. <i>Concluding remarks</i>	101
V <i>Rate of profit and income distribution in relation to the rate of economic growth</i>	103
1. <i>A post-Keynesian theory of income distribution and of the rate of profit</i>	103

Contents

2. <i>A correction</i>	106
3. <i>Reformulating the model</i>	107
4. <i>Rate and share of profits in relation to the rate of growth</i>	109
5. <i>A fundamental relation between profits and savings</i>	110
6. <i>Implications</i>	112
7. <i>The conditions of stability</i>	113
8. <i>The case of a socialist system</i>	116
9. <i>Models and reality</i>	118
VI <i>The rate of profit in an expanding economy</i>	121
1. <i>Harrod-Domar's dilemma</i>	121
2. <i>The 'Cambridge equation'</i>	121
3. <i>The marginal productivity alternative</i>	122
4. <i>Extreme assumptions and general results</i>	124
5. <i>A first approximation synthesis</i>	126
6. <i>Irrelevance of the workers' propensity to save</i>	127
7. <i>A marginal productivity escape route</i>	129
8. <i>The workers' savings required for the disappearance of the capitalists</i>	132
9. <i>Capital-output ratio and rate of profit</i>	132
10. <i>The case of a highly flexible capital-output ratio</i>	134
11. <i>Conclusions for the general case</i>	138
12. <i>Rate of interest and rate of profit</i>	139
13. <i>Many groups of savers</i>	141
14. <i>Further extensions</i>	142
15. <i>A socialist economy</i>	143
16. <i>The rate of profit in an expanding economy</i>	144
<i>References</i>	145
Index	147