

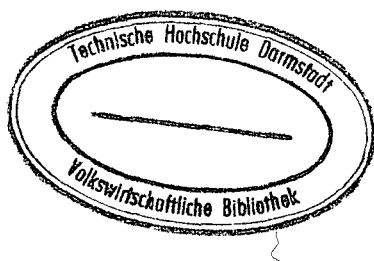
# Investment Cycles in Capitalist Economies

A Kaleckian Behavioural Contribution

---

Jerry Courvisanos  
*University of Tasmania*

New Directions in Modern Economics series



Edward Elgar  
Cheltenham, UK • Brookfield, US

# Contents

---

<i>List of Figures and Tables</i>	viii
<i>Preface</i>	ix
1. Introduction: The Need for a Theory of Investment Cycles	1
1.1 A Lacuna in Economics	1
1.2 Economic Fluctuations and Investment	2
1.3 Nature of Macroeconomic Investment Analysis	5
1.4 Theory of Investment Decisions	8
1.5 Focus of this Study	10
2. Kaleckian Analysis of Investment	13
2.1 Introduction	13
2.2 Role of Investment in Kalecki's Business Cycle Theories	14
2.3 Kaleckian Elements of the Investment Cycle	20
2.4 Monopoly Capitalism and Investment	36
2.5 Structural Aspects of Investment Cycles	43
2.6 Kalecki and the Traverse	50
2.7 Investment Models: Theoretical Basis and Empirical Support	55
3. Investment under Uncertainty: Behavioural and Evolutionary Views	69
3.1 A 'Behavioural' Kalecki	69
3.2 Keynes and Uncertainty	72
3.3 Shackle and the Imagination	75
3.4 Managerialism and Corporate Instability	76

3.5	Bounded Rationality and the Corporate Investment Process	79
3.6	Evolutionary View of Technological Change	83
4.	Institutional Behaviour of Firms	94
4.1	From the Firm's Perspective	94
4.2	Firm Competition	95
4.3	Role of Agents in the Firm	98
4.4	Financial Behaviour	103
4.5	Role of Innovation	106
4.6	Role of the State	109
5.	The Susceptibility Cycle: an Endogenous Model	114
5.1	Cyclical Behaviour of Investment	114
5.2	The Concept of Susceptibility	115
5.3	Dynamics of Susceptibility	121
5.4	Self-generation of Susceptibility Cycles	125
5.5	The Traverse and its Implications for Susceptibility	139
5.6	The Interaction of Self-generating Elements	145
5.7	Timing of the Susceptibility Cycle	159
5.8	Summary	161
6.	Exogenous Factors Affecting Susceptibility	164
6.1	Distinction Between Exogenous and Endogenous Factors	164
6.2	Intensity of Susceptibility	166
6.3	Exogenous Innovation	167
6.4	Rentiers' Savings	172
6.5	Growth in Population	175
6.6	Random Factors	177
6.7	Seasonal Factors	179
6.8	Role of the State	180
6.9	The International Economy	184
6.10	Conclusion	187
7.	Long-Run Empirical Patterns of Cyclical Investment	190
7.1	Susceptibility and Mistakes	190
7.2	Decision-making Frameworks	192
7.3	Structural Patterns of the Endogenous Elements	194
7.4	Changing Time Lags in the Investment Process	197
7.5	Empirical Patterns of Innovation	200

7.6	Changing Role of the State	203
7.7	Other Long-run Exogenous Factors	208
7.8	'Bunching' of Industry Investment Cycles	210
8.	Policy Implications and Future Directions	217
8.1	Investment Instability and Human Agency	217
8.2	Improving Private Investment Decision-making	220
8.3	Public Policies	225
8.4	Where Do We Go from Here?	230
	<i>Appendix: Case Study Summaries of Three Australian Manufacturing Industries</i>	235
	<i>Bibliography</i>	243
	<i>Index</i>	261