

Bulletin of Political Economy

ABSTRACTS

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The Big Picture: Britain and China and the Future of Capitalism

PAUL COCKSHOTT

This paper looks at the economic trajectory of Britain from the late 19th century to help understand how China is going to develop and what the future may hold for capitalism after globalization. Although history does not repeat exactly in different countries one can see in British history the effects that followed from the demographic transition. These same processes will come into operation in China with major effects on the evolution of global capitalism.

The Rate of Surplus Value, the Composition of Capital, and the Rate of Profit in the Chinese Manufacturing Industry: 1978-2004

ZHANG YU & ZHAO FENG

This paper extends the empirical analysis of the movement of the rate of profit in the case of Chinese economy for the period 1978-2004. The rate of profit of manufacturing displays a declining tendency from the year 1978 to 1988, which precipitates in the period 1989-1998, and the tendency of the rate of profit becomes rising during the period 1999-2004. The rate of profit is viewed as the fundamental determinant of the rhythm of capital accumulation, and in the case of the Chinese economy the empirical evidence lends support to the idea that the movement of the rate of profit is consistent with the growth rate of output.

Reform, Reform the Reforms or Simply Regression? The 'Washington Consensus' and its Critics

STAVROS D. MAVROUDEAS & DEMOPHANES PAPADATOS

The 'Washington Consensus' analysis and policies are being disputed both analytically and for their effectiveness. This paper surveys first the debate on the definition of the 'Washington Consensus' vis-à-vis its apparent

developmental shortcomings. Then it surveys the major areas where the 'Washington Consensus' is judged as a failure (with particular emphasis on the crises of the 1990s). In the next part it presents the main responses to the 'crisis' of the 'Washington Consensus'. Its supporters are categorised in the fundamentalists and the reformists whereas its opponents are divided in the post-Washington Consensus adherents and the Marxist critics. It is argued that the Marxist perspective offers a superior understanding and critique of the 'Washington Consensus'.

Intersectoral Linkages and Key Sectors in the Greek Economy

ELEFThERIA RODOUSAKI

This paper estimates, on the basis of traditional and modern methods, the intersectoral linkages and the key sectors in the Greek economy for the years 1988 and 1998. It finds remarkable changes in the ranking of the sectors, according to the strength of their linkages, and a downward trend in the key sectors number.

Theoretical Considerations of the Endogenous Money Hypothesis: The Turkish Experience

CONSTANTINOS ALEXIOU & GEORGE ANASTASIADIS

This paper aims at exploring the endogenous money hypothesis as this is implied by the Post Keynesian tradition. Turkey serves as the platform on which the undertaken empirical analysis is conducted. The inconclusive cointegration results obtained reflect the turbulent economic environment that Turkey has experienced over the last decades. The causal dimension however, appears to be in line with the Post Keynesian hypothesis.

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Country Risk, Government Effectiveness, and Government Religious Regulation

WILLIAM R. DIPIETRO

Two potential attributes of the government that may be important for the maintenance of political stability and for the degree of polyarchy within a nation are the scope of government religious regulation and the effectiveness of the government. This paper uses cross-country regression analysis to assess the effect of government religious regulation and overall government effectiveness on polyarchy and political stability, and the effect of polyarchy and political stability on country risk.

A Reformulation of Demand-Led Growth: Transformational Growth and the Consumption-Growth Relationship

DAVIDE GUALERZI

Demand-led growth is an alternative to the dominant supply-determined approach to growth theory. The main open problem is to show in which way demand matters also in the long run. For that reason it is of particular relevance the question of the growth of demand, therefore of the rise of new markets, and its relationship to structural change. Building on the theory of Transformational Growth, the paper presents a conceptual framework that brings together autonomous investment, structural change and demand structure, therefore focusing on the Consumption-Growth relationship. In particular, the structural dynamics of market creation is the result of the effort to build the market by firms aiming at exploiting the potential implicit in the development of needs.

Formulating Non-Proportionally Growing Economies: A Generalisation of Pasinetti's Analysis

SOBEI H. ODA

This paper describes non-proportionally growing economies with changing technology and consumption demand. Specifically, this paper

gives a new expression of the quantity system of nonproportionally growing economies without assuming anything about the types of technical progress or the dynamics of consumption demand, as well as some mathematical analysis and simulations as examples of its applications. The new expression can be regarded as a generalisation of Pasinetti's formulation of non-proportionally growing economies in terms of vertically hyper-integrated sectors, because both formulations based on the same economic model while the former can analyse properly what the latter cannot express: non-labour-augmenting technical progress, seasonal change in consumption and production, traverse for changing technology and consumption demand, etc.. The new expression of non-proportionally growing economies, which pays a special attention to the time structure of production, strengthens the analytical power of the multi-sectorial production model and Pasinetti's analysis of structural change, deepening our understanding of real economies, where technology and consumption demand never cease to change. This paper provides the following: 1. The derivation of the new expression of non-proportionally growing economies as well as its application to non-labour-augmenting technical progress and other examples mentioned above with their mathematical analysis and numerical simulations. 2. Some discussion about the time structure of production in the von-Neumann model as well as some implications of non-proportional growth to the Keynesian policies.

Relative Prices in the Classical Theory: Facts and Figures

CHRISTIAN BIDARD & HANS G. EHRBAR

This paper surveys, extends and illustrates recent results on the movement of relative prices of production when distribution changes.

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Families of Strongly Curved and of Nearly Linear Wage Curves: A Contribution to the Debate about the Surrogate Production Function

BERTRAM SCHEFOLD

A majority of economists had returned to the use of production functions, in spite of the Cambridge critique, while a minority continues to believe that the construction has definitively been shown to be illegitimate. The paper proposes to work towards a reconciliation between these points of view by showing that the wage curves of some families of economic systems are nearly linear so that an approximate surrogate production function seems justified, while other families of economic systems lead to strong curvatures. Random systems approach linearity.

Reproduction Prices: Equilibrium and Disequilibrium in a Classical Model

CARLO BENETTI, CHRISTIAN BIDARD & EDITH KLIMOVSKY

We consider reproduction in the classical tradition and elaborate 'reproduction prices models' with a common formalization to equilibrium and disequilibrium. The accumulation of capital is the driving variable, and the capitalists' decisions are socially evaluated by the actual rates of profit. Apart from taxes levied by Government, the non-accumulated part of production is devoted to capitalists' consumption. Two models are distinguished depending on the hypothesis retained on capitalists' consumption. It is shown that the rates of profit and prices are positively correlated to the relative accumulation rates. The rates of profit admit a physical interpretation: they are the accumulation rates of a 'core economy', obtained by isolating the production of capital by means of capital.

Indian Contribution to Leontief's Input-Output Economics

SHALINI SHARMA

The study attempts a succinct review of Indian contribution to Leontief's input-output economics. The review has been organized along the thematic lines, since review of individual contributions would have made it difficult to take a holistic view. The review highlights the enormity of Indian contribution to theory, methodology and empirical applications of input-output models to practically every branch of economic analysis. It may safely be concluded that Indian contribution to this area of economics is comparable to the American and Dutch contribution.

John Stuart Mill and Wicksell's Cumulative Process

DIMITRIS P. SOTIROPOULOS

This article deals with the particular connection between the cumulative process in the writings of Knut Wicksell and John Stuart Mill. Although, the idea of the cumulative process is mainly attributed to Thornton, J.S. Mill was the first to emphasize that the discrepancy between the market rate of interest and the expected yield of investment were the reason why the prices generally increased during the first stages of the business cycle. Thus, he stressed the crucial role of investment, regarding the cumulative process as a disequilibrium situation, in which the net investment is positive and constantly increasing as a result of future expectations for profits. The connection between J.S. Mill's and Wicksell's argumentations points out that the introduction of money and credit into a barter economy in no way serves to discredit Say's Law.

The Participation of Migrants in the Greek Economy: An Input-Output Analysis

DIMITRIS KERAMIDAS, CHARALAMBOS ECONOMIDIS & NIKOS STROMPLOS

This paper presents an effort to estimate the participation of migrants in the Greek Economy with the help of the Input-Output Analysis. Several characteristics were estimated, relating mainly to the number, income, expenditure, savings and investments of migrants, along with the corresponding data for Greeks. The study reveals some aspects about the economic status of migrants in terms of consumption patterns, compared to that of Greeks, and their distance from the poverty threshold. Moreover, within the context of the Social Accounting Matrix (SAM) model, we split the household column for the year 2005 into two sub-columns, one for migrants and one for Greek households. The general conclusion of the paper is that migrants make a positive contribution to the Greek economy, mainly through their contribution to production.

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Marx after Sraffa and the Open Economy

IAN STEEDMAN

I have been asked to 'reflect' on *Marx after Sraffa* (1977) after some twenty-five years. My reflection falls into three parts. In the first, certain major themes of the book are recalled and emphasized. In the second part some brief thoughts are offered on certain subsequent approaches to Marx's value and exploitation theory, in particular the so-called 'new solution'. The third and most substantial part turns to a major gap in *Marx after Sraffa* (and in many other approaches), namely the matter of international trade and how it affects Marx's theory.

Interest, Effective Demand and Capitalist Macroeconomic Instability: A Marxian Perspective

GEORGE ARGITIS

This paper argues that Marx's analysis of interest could form the basis for a monetary and institutional analysis of the effective demand, unemployment and macroeconomic instability problems in capitalist countries with conflicting intra-capitalist relationships. The analysis pinpoints the barriers set by money capitalists' income on industry's accumulation. A monetary-distributive mechanism is conceptualised as an endogenous source of demand deficiencies that limit the expansion of output and employment. This mechanism is essential to the construction of an approach to the Marxian monetary macroeconomic theory, which will be helpful for us to better understand some of the contradictions of contemporary capitalism.

J. M. Keynes on Entrepreneurship

ANASTASSIOS D. KARAYIANNIS

A dynamic factor in Keynes' economics is that of entrepreneurial investment decision-making. Although Keynes did not develop a distinct entrepreneurial theory, as the present paper demonstrates, he described important behavioural explanations regarding the entrepreneur. Also, he

examined the entrepreneurial role in various forms of firms' organization and in different economic systems.

Input Output Modelling of Labor Productivity and its Human Capital and Technology Components in Indian Economy

SHRI PRAKASH & BRINDA BALAKRISHNAN

The study evaluates criticism of New Economic Policy (NEP) that it has led to employment-less growth and examines the role of productivity in growth and employment creation by means of the Computable General Equilibrium Input Output Model. It covers data of one-decade after the adoption of reforms policy. Empirical results synthesize productivity and employment effects of growth. The sectoral productivity is estimated from IO Tables of 1988-89, 1993-94 and 1998-99 in 1993-94 producer prices. The paper combines production function and aggregation approaches as its methodological-theoretical framework. The partial approach impounds technology and final demand turn by turn. The model results are supplemented by statistical analysis of inter-sectoral variation and inter-relations between educational development and qualifications of workforce. Results show productivity to be the pivot of growth of most sectors. The study highlights realism/unrealism of the paradigms of employment-less, employment-neutral and employment augmenting growth under NEP.

The Effect of Conservative Agenda in the United States on the Income Shares of the Highest Income Groups

WILLIAM R. DIPIETRO & EMMANUEL ANORUO

One of the most essential consequences of public policy is its potential effect on income inequality. Individuals with high incomes tend to have a conservative disposition and to adhere to a conservative philosophy. In the United States, in recent times, the conservatives have been advocating smaller government, lower taxes, and high levels of defense spending. This paper uses regression analysis on annual data to evaluate whether some of the major features of the U.S. conservative agenda favor the concentration of income in the very highest income groups in the U.S.

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Generalized Commodity Exploitation Theorem and the Net-Production Concept

TADASU MATSUO

The present paper examines the validity of the Generalized Commodity Exploitation Theorem (GCET) as a criticism against the Fundamental Marxian Theorem (FMT). The FMT showed the equivalence between positive profit and positive exploitation of labor, but the GCET claims that positive profit is equivalent with exploitation of every commodity. The present study focuses on the net-production concepts, which accompany with the exploitation concepts, and shows that the sole exploitation concept, which is equivalent with positive profit combined with the ordinary physical net-production condition, is the exploitation of labor, not the exploitation of any other commodity. The exploitation of another commodity needs another net-production condition to be equivalent with positive profit. It is pseudo net-production condition, which is not purely physical condition but contains social distribution condition. This pseudo net-production concept contains inputs for the production such as fertilizer for banana trees, but it does not contain workers' consumption goods. Thus we will confirm that the exploitation concept of any commodity other than labor is not appropriate for the economic analysis based on the ordinary net-production concept, which considers that net-products are used for human.

Determinants of the Average Profit Rate and the Trajectory of Capitalist Economies

DAVE ZACHARIAH

The paper investigates the determinants of the average profit rate using the framework outlined by Farjoun and Machover (1983) and developed in Cottrell and Cockshott (2006). A dynamic equilibrium rate is derived that predicts the trend of the average profit rate. Long-run trends in the trajectory of capitalist economies are considered using empirical data from several countries.

Economic Calculation in Non-Monetary Terms: The Forgotten Ideas of Kantorovich and Siroyezhin

IVARS BRIVERS

Discussions about possibilities of calculation in socialism have always been on the agenda between different economists-theorists. A deep and fundamental criticism of socialism is expounded in the voluminous work of famous Austrian economist Ludwig von Mises. As calculations in the capitalist system are based on market prices, the impossibility of calculations is not a threat in this case. But even in the capitalist system there may appear another threat – if economic indicators are expressed only in monetary terms, the measurement of goals may be questionable from the point of view of sustainable development. The idea of welfare maximization in non-monetary terms can be found in works of the only one Nobel Prize winner in Economics among the Soviet economists – Leonid Kantorovich and his disciple Ivan Siroyezhin. It is possible to set up a non-monetary objective function even at a macro level – maximization of bundles of necessities. The modern mathematical approach in economics gives a possibility to consider a set of objective functions. It may turn out that ideas of Kantorovich and Siroyezhin are still unappreciated and up-to-date from the point of view of sustainable development.

The Conversion of the Supply and Use Tables to Symmetric Input-Output Tables: A Critical Review

GEORGE SOKLIS

This paper reviews the available methods used to convert Supply and Use Tables of actual economic systems to Symmetric Input-Output Tables. It is argued that all conversion methods rest on the unrealistic assumption that single production, and not joint production, characterizes the economic structure of the real world. Finally, a straightforward treatment, based on general joint-product models inspired by von Neumann (1945) and Sraffa (1960), of the Supply and Use Tables is proposed as a way out of the inconsistencies of the conversion methods.

Some Comments on the Role of the Monetary Policy: A Classical-Sraffian Approach

EMMANUEL AGIS & GERMAN FELDMAN

This paper provides a critical review of alternative orthodox and heterodox theories about the role of monetary policy in the long period and develops the Classical-Sraffian approach to the subject. Our analysis supports the

view that monetary conditions influence income distribution via the relationship between the long-term interest rate, which is exogenously fixed by the Central Bank, and the 'normal' profit rate. Moreover, we show that inflation emerges as a consequence of distributive conflicts between workers and capitalists for the surplus product. Finally, we briefly characterize some possible transmission channels of monetary policy to the real economy, which allow establishing potential 'bridges' between the price system and the dynamics of quantities.

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Towards a New Social Structure of Accumulation: The Case of a Small Euro-Area Flexicurity Economy

PETER FLASCHEL, ALFRED GREINER & SIGRID LUCHTENBERG

The paper formulates for a small open economy a macrodynamic framework with an employer of 'first' resort, added to a competitive economic reproduction process. There is high labor mobility, with fluctuations of employment made socially acceptable through a second labor market where all remaining workers get occupation and income. We show that this economy exhibits an attracting balanced growth path, which is also viable. Moreover, pension-fund financed investment can be added to this model without disturbing this situation. We also investigate the existence of skill differentials and a corresponding educational system, which includes the equal opportunity principle.

Promoting Economic Growth and Development Through an Employment of Last Resort Policy

DIMITRI B. PAPADIMITRIOY

It has been shown that unemployment has far-reaching effects all leading to an inequitable distribution of well-being. On the other hand, many economists assume that unemployment tends toward a natural rate below which it cannot go without creating inflation. The paper considers a particular employment strategy of a government job creation program, such as employment guarantee scheme or employer of last resort that would satisfy the non-inflationary criteria. The paper examines the international experience of government job creation programs and pays a particular emphasis to the more successful programs instituted in Argentina and India. The conclusion drawn is that the application of an employer of last resort policy fosters economic development and in addition becomes a vehicle to meeting the Millennium Development Goals.

Partial Equilibrium Analysis of Impact of Use of Finance Option for Purchase of Durable Consumer Goods on Indian Economy: A Study in General Equilibrium Framework

SHRI PRAKASH, SHALINI SHARMA & ARVIND BAGATI

This paper has developed two hierarchical models to determine the impact of final demand for consumer durables, particularly purchases with finance, on Indian economy. Model of demand for consumer durables with or without finance is encompassed in revealed preference theory and stochastic framework Logit form of Engel consumption function is used. This is illustrated geometrically to incorporate twin threshold income levels for purchases with or without finance. This model supplements I-O model of impact of consumer durables on the economy. Concept of 'Static Leontief Trajectory' is formulated. Two complementary theorems, empirically supported, are its base. This paper has endogenised private final consumption expenditure in input output model. Results show that the purchase of consumer durables with or without finance considerably affects output of all sectors. Output effect varies greatly between sectors but it is maximum for the sectors final demand for the output of which is nonzero. Output effect depends, a great deal on the pattern and strength of backward, forward and residentiary linkages.

The Greco-Roman theory of the Stage Evolution of Society

CHRISTOS P. BALOGLOU & ANASTASSIOS D. KARAYIANNIS

The paper analyses the various views of ancient Greek writers about the stages of the evolution of society and shows its impact on the relevant views developed by some Romans. More than their similarities and differences is shown that the stage theory of the evolution of society has its roots to the ancient world.

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Endogenous Growth Theory Twenty Years On: A Critical Assessment

SERGIO CESARATTO

Endogenous growth literature emerged from dissatisfaction with one result of the neoclassical growth model: the independence of the growth rate from the saving ratio, which is seen as a variable subject to policy influence. There are at least three generations of EGT models: the old one of the sixties; the new one of the late eighties; and the most recent one, from the second half of the nineties. EGT models of any vintage fall into one of two fields: neo-Solovian (or semi-endogenous models) or fully endogenous models. Models from the sixties would generally fall into the first class and for good reasons. Indeed, most of the early generation of fully endogenous models from the late eighties fell under the 'Jones critique', which pointed out some of the difficulties of these models. The most recent models have found various ways to avoid those problems. It is shown that these *stratagems* were anticipated by Marvin Frankel in the sixties and by Lucas in the eighties. One suspects that these devices arose in order to fix the theory rather than from, say, some ex-ante empirical observation (which is often provided ex post). More importantly, this paper indicates some problems common to all vintages of EGT models, beginning with the Cambridge capital theory critique, and suggests some alternative routes for growth analysis outside neoclassical theory.

The Neoricardian Theory of Economic Integration

GUIDO MONTANI

From an economic standpoint, the globalisation process amounts to the formation of an integrated market on a world-wide scale. The aim of this paper is to show that the Ricardian theory of international trade, if correctly interpreted, can explain why an early form of global market emerged in the 19th century, and why the current process has some distinctive characteristics. To this end, the Ricardian approach will be interpreted in the light of the stages of development theory, which Ricardo was not thinking of while writing the chapter *On foreign trade* of the *Principles*, but which is an important cultural legacy of classical economic thought.

Exploitation and Productiveness: The Generalised Commodity Exploitation Theorem Once Again

ROBERTO VENEZIANI & NAOKI YOSHIHARA

In a recent contribution on this journal, Matsuo (2009) has provided an interesting argument to refute the Generalised Commodity Exploitation Theorem (GCET), by highlighting a potential asymmetry between labour and other commodities. In this paper, a novel characterisation of the relation between exploitation and productiveness that is at the heart of the GCET is proved. This result is interesting per se, because it is weaker and more general than the standard GCET. But, owing to the rigorous specification of all the relevant conditions, it also clarifies the structure of Matsuo's argument, and its dubious theoretical features. It is also argued that, even if Matsuo's formal argument were deemed convincing, a revised version of the GCET can be proved, which reinstates the symmetry between labour and other commodities in the standard Leontief setting.

An Input-Output Analysis of Macroeconomic Effects of Infrastructure Investment: The Case of Attiki Odos Motorway in Greece

ATHENA BELEGRI-ROBOLI, MARIA MARKAKI & PANAYOTIS G. MICHAELIDES

This paper estimates ex-post the macroeconomic impacts of the high-speed toll motorway investment of Attiki Odos, in the Athens Metropolitan Area in Greece. Attiki Odos is incorporated in the Trans-European Networks and it is a priority project aimed at developing the greater area of Athens and the Greek economy as a whole. The investment vector was assembled from figures calculated ex-post. The input-output model was used to estimate relative changes in output, employment and occupations by sector of economic activity. We show that the construction of the Attiki Odos grid has significantly affected the broader area.