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Growth, distribution, and sectoral heterogeneity: Reading the Kaleckians in Latin America

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Abstract

The aim of this paper is to explore a parallelism between two episodes in the history of economic thought in order to suggest that the interaction between them can contribute to the research on Kaleckian growth and distribution models. First, a brief summary of the theoretical development from Steindl's stagnationist claims to the debate about demand regimes is offered. Then, a more detailed account is provided of the Latin American debate that began with Furtado's stagnationist claims and resulted in the formulation of models of social articulation and disarticulation. Finally, an analytical classification of Kaleckian and Latin American growth and distribution models is provided, indicating the way in which sectoral heterogeneity and demand composition can act as a plausible link between growth and distribution.

JEL classification: E11; E20; O11

Keywords: Income distribution; Demand regimes; Sectoral heterogeneity; Demand composition; Distributive schedule
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This paper has as its starting point two episodes in the history of economic thought that show an interesting parallelism. Both began with forecasts that ended up being unambiguously inaccurate. More concretely, they were both initiated by claims that economic growth had its days counted and stagnation was unavoidable. Ironically, these claims were made in the run-up to periods of extraordinarily high growth. However, these failed predictions pointed towards some illuminating characteristics of capitalist economies that would be the basis of later theoretical elaborations, which succeeded in keeping the useful insights while shedding away the mistaken forecast.

The first of these episodes is well known. It began with Josef Steindl's (1952/1976) stagnationist argument and eventually led to the debate on demand and growth regimes, based on Kaleckian growth and distribution models (see Blecker, 2002, for a summary). The second, relatively more obscure, is a Latin American version of the first one. It began with stagnationist views of the prospects of Latin American development (see, for instance, Furtado, 1965), was followed by a revisionist attempt to interpret the failed prediction (most famously by Tavares and Serra, 1971/1976) and

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resulted in the formulation of models of social articulation or disarticulation, that is, of cumulative processes involving growth and inequality (Taylor and Bacha, 1976; De Janvry and Sadoulet, 1983).[1]

By exploring this parallelism, this paper aims to provide a classification of Kaleckian and Latin American growth and distribution models that goes beyond the one based on a conventional understanding of the demand and distributive schedules (Taylor, 2010: 188). Examining the way in which sectoral heterogeneity can be incorporated in this framework and the cumulative processes that it may generate, this analysis points towards an additional mechanism connecting growth and distribution that may be important to interpret particular historical developments, but that is largely overlooked by the Kaleckian literature, despite notable exceptions (Taylor, 1989; Dutt, 1990b: chaps. 6–7). Even if abstracting from these issues might be adequate in certain cases, a reinterpretation of the demand and distributive schedules that incorporates sectoral heterogeneity (both in the production and in the consumption dimensions) can contribute to the attempts to understand the dynamic interaction between growth and distribution.

1. From stagnationist claims to demand regimes: the Kaleckian thread

With hindsight, it seems incredible that in the aftermath of World War II there was widespread concern with a potential economic stagnation of the rich countries (or "mature economies," as they were then called). After all, the following two decades would be characterized by an extraordinary prosperity and would be called the "golden age" of capitalism (Armstrong et al., 1984/1991). But the economic troubles that plagued Europe after World War I were still too recent to be ignored and averting their repetition was a widely shared objective.

Steindl's (1952/1976) *Maturity and Stagnation in American Capitalism* is a product of this context. Its characterization of postwar capitalism did not sink into oblivion, in spite of the ensuing "golden age," surviving in a branch of Marxism initiated by Paul Baran and Paul Sweezy's *Monopoly Capital* (1966). Steindl's argument is the postwar version of a much older underconsumptionist tradition. According to him, in a competitive economy, if the growth rate and capacity utilization decreased, competitive pressure would ensure that the less efficient producers would be eliminated by the more efficient ones in a price war that tended to diminish the average profit margins (Steindl, 1979: 5–8). These reduced margins would, in their turn, stimulate the resumption of growth and the recovery of the capacity utilization ratio. However, in an oligopolistic economy this stabilization mechanism would no longer work, because profit margins become rigid, and a deceleration of growth would not face any countervailing force. As a result, stagnation could become permanent. But why does increasing concentration make the profit margins rigid? In Steindl's (1979: 7) words, in an oligopolistic economy "aggressive price strategies become very risky, because the few main producers all have substantial margins, and to drive out one of them would require a ruinous price war. If the growth rate declines, the oligopolists are therefore more prepared in most cases to accept low long-term rates of utilization than to engage in cut-throat competition."[2]

Commenting Steindl's and Baran and Sweezy's arguments, Robert Brenner (1998/2006: 54) claims that "[t]he notions of 'monopoly capital' and 'capitalist stagnation' soon revealed themselves (...) to be reification of quite *temporary* and specific aspects of the economy of the US in the 1950s." Steindl (1979: 8–13) himself had defended his argument against this kind of criticism, claiming that the growth rates observed in the 1950s and 1960s did not contradict his interpretation, since they could be explained by resorting to other factors. And, since the 1970s, the tendency towards stagnation could once more be clearly identified, according to him.

Relatively apart from this controversy, in the early 1980s the Kaleckian framework that was the basis for Steindl's argument would be combined with an adaptation of Steindl's own ideas about capacity utilization and the investment function to formulate the early versions of what is now called Kaleckian growth and distribution models (Rowthorn, 1981, Dutt, 1984, Taylor, 1985).[3] The objective was no longer to provide an epochal diagnosis of capitalism, but rather to give a mathematical representation of the relationship between growth and the functional distribution of income, that might be useful to throw light on concrete economic developments (Amitava Dutt's paper addresses an episode

[1] The connection between the Kaleckian models and the Latin American literature has also been suggested by Taylor and Arida (1988/1998: 166-168).

[2] See, also, Steindl (1952/1976: chap. 5) and Lee (1999: 186-197).

[3] The original versions were developed independently by Rowthorn and Dutt. Taylor was Dutt's advisor at MIT and the latter's 1984 paper is based on work done for his dissertation.

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