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Econ 208

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ECON 208

Revise

Possibility of Growth in a Capitalist Economy:
Historical Overview

Question: Is Capitalism Capable of
sustaining internally-generated
growth?

NO Yes/No Yes

Underconsumptionists/Stagnationists

Internally-generated demand
is generally insufficient to
sustain growth

External Sources
of Demand

Malthus: Non-
producing
consumers

Luxemburg: Non-
Capitalist
Spheres

External Stimuli
to Demand

Kalecki:

- i) Gov't & Consumer
deficit spending
- ii) Trade surplus
- iii) Technical change,
new products and
markets (stimulate
investment)

Marx

Internally-generated and
sustained growth is
intrinsic (schemes of
reproduction) - But crises
are also *intrinsic* from
internal causes

- In boom phase, system
fluctuates around a
cyclical growth path

- Boom phase necessarily
gives way to crisis
phase, and system becomes
unstable

- CRISIS THEORY

FROP

Grossman (link
between FROP and
phase change from
growth to crisis
periods)

Keynes/Harrod

Internally-generated
and sustained growth
is *possible* (warranted
growth path), but system
is (at least locally)
unstable around balanced
growth path

Exogeneously
determined and
growing external
limits channel
and contain the
instability

Sustained
growth is
not
feasible
[take off
/crash]
[STATIC MODELS]

Exogenous ceiling/floor
(Hicks) and unstable
linear models of cycles
around the exogenous
trend

Modern Cyclical
Growth Model

Ricardo/Say

Internal mechanisms
of system tend to
keep it near full
(i.e. normal)
capacity utilization

- no intrinsic
tendency to
crisis
(though cycles
will exist)

Tugan-Baranowsky
Bauer
Hilferding

Modern Neoclassical
Tradition

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