

Title: Is the mature economy thesis obsolete?

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ABSTRACT

In the 1940s, extending and developing Keynes's contribution, A.H. Hansen and others argued that developed economies were characterised by a tendency towards stagnation. Joan Robinson summarised this mature economy thesis in the following words: "If in reality the distribution of income between workers and capitalists, and ^{Unser Zeichen} ^{Datum} are such as to require a rate of accumulation which exceeds the rate of increase of capital appropriate to technical conditions, then there is a chronic excess of the production of real capital over the demand for it and the system must fall into chronic depression." 28. February 2001

This depicts a model of an economy where income distribution (i.e. the surplus produced per worker) simultaneously determines the rate of profit and investment, where investment is a positive, but declining function of the surplus per worker. Employment is determined by the ratio between the absorption of surplus (i.e. the demand for investment) and the surplus produced per worker. Given rather high absolute levels of surplus per worker, and a rather low elasticity of investment, employment will fall. The reaction of output depends of the growth of labor productivity. A very low or zero growth in output will alter the shape of the investment function owing to pessimistic expectations, leading to stagnation.

Hence, given the determinants of income distribution, the stability of the system depends on two factors: Either technical progress induces an increase in investment, or else increases in capitalist consumption together with a lower propensity to save out of higher wage earnings (consumption of personalized services) ensure that sufficient surplus is being absorbed. The first of these solutions implies that in mature economies the barriers created by distribution (relations of production) can be overcome by technical progress (i.e. productive forces). The consumption solution may be successful in the period of changing consumption patterns: In the long run the marginal propensity to consume will decrease again.

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