

Title: Accumulation Regimes, Macroeconomic Structure and Capacity Utilization

Author: José Luís Oreiro, Federal University of Rio de Janeiro*

Abstract

The present paper aims at the effects produced by the introduction of planned degree of capacity utilization in post Keynesian growth macroeconomic models and its relation to income distribution, effective degree of productive capacity utilization and economic growth patterns. As such, the paper assumes that such a variable is a decreasing function of profit share in gross internal product. This change in the macroeconomic model structure on, one hand, confirms Marglin-Bhaduri results according to which an increase in wage-share might cause a decrease in the effective level of productive capacity utilization. On the other hand, the endogenous treatment of planned degree of capacity utilization might produce an unexpected effect on the long run equilibrium conditions of the economy. That is, changes in the functional income distribution does not affect the capital stock growth rate. Furthermore, in the long run, it is also possible to show that the impact of an increase in the capital stock growth rate on the wage share will depend upon the initial values of the latter. Consider, for instance, the case where the wage share initial value is high. In this case, a growth increase will produce a corresponding reduction of wage share in national income. However, if the initial value of wage share is low there will be an income redistribution favouring workers. Such a result derives from the existence of two long run equilibrium positions for the relation between income distribution and degree of productive capacity utilization. The first position refers to a set of equilibrium conditions where profit share is low and a degree of productive capacity utilization is high (high equilibrium). The second position deals with a case where profit share is high and productive capacity utilization is low (equilibrium low). The stability analysis of the above long run equilibrium positions leads to the following conclusion : if the low equilibrium position is inside the excilaracionist region and simultaneously, the high equilibrium position is inside the stagnationist region, then the high equilibrium position will be unstable and the low equilibrium position will be stable. From thereon, the economy will converge to a long run equilibrium position characterized by underutilization of productive capacity. In other words, a long run equilibrium position in which productive capacity utilization degree is lower than prescribed by “macroeconomic foundations”.

* Phd in Economics (Federal University of Rio de Janeiro) and Associate Professor at Graduate Program in Economics of Candido Mendes University (UCAM).