

# **Title: Modelling profit-rate distributions using L-moments**

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## **Abstract**

The non-equalisation of profit rates has attracted attention from a variety of perspectives within both classical political economy and the Marxist critique of that school ((Farjoun and Machover 1983), (Glick 1985), (Freeman and Carchedi 1996)).

Non-parametric distributions are easily derived from company accounts data ((Wells 2001)); however, parametric modelling is hampered by the abundance of extreme upper and lower outliers.

This paper will use recent developments in statistical technique (the method of L-moments, (Hosking and Wallis 1997)) to address these issues.

The principal conclusion will be that capital-weighting of profit-rate distributions, as discussed by Farjoun and Machover (1983), is essential even if the object is to estimate the distribution at the firm level, rather than at that of capital.

The use of L-moments in model selection and parameter estimation will also be illustrated.

## **References**

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