Title: Capital Accumulation, Multiple Equilibrium and Path Dependence A post keynesian endogenous growth model

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ABSTRACT

This article develops a post-keynesian endogenous growth model in which there are two different long-run growth paths, one caracterized by a low growth rate of the capital stock and a low profit rate, and another caracterized by a high growth rate of the capital stock and a high profit rate. This result is obtained from the introduction of a non-linear saving function in the structure of the model. However, this non-linear saving function is not an ***ad-hoc*** assumption but results from the hypothesis of non-separability between consumption-saving and portfolio decisions, that is, we are considering an economy in which decisions about the form in which wealth is accumulated **cannot be** separated from the decisions about the rate of accumulation of wealth. The selection between these long-run paths is conditional upon the ***social convention*** about the future profitability of the capital stock. In this setting, we suppose that there are only two possible social conventions: a optimistic convention (high equilibrium) and a pessimistic one (low equilibrium), and that exists ***network externalities*** associated with the selection between both conventions. The selection of growth paths is path-dependent, that is, the long-run growth path that is selected by the economy is dependent on the history of choices made by all economic agents.

Key-Words : Multiple Equilibrium, Não-Linearities and Network Externalities.

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