

## GROWTH AND DISTRIBUTION

### Content

This course offers an introduction to the theory of economic growth and its links with the theory of distribution and the theory of value. The following topics will be examined: Classical theories of growth in the one-sector economy and their modern transformation into the neoclassical models of Solow and of endogenous growth; the effects of changes in technology, savings behavior, and the distribution between wages and profits on the rate of economic growth in the short and in the long run; growth dynamics in the presence of limited resources; growth in the multi-sector economy, the role of relative prices and of the uniform rate of profit therein; Keynesian growth theory; applications to the study of real economies. The course uses tools students have encountered in Intermediate Microeconomics, Intermediate Macroeconomics, and Theoretical Foundations of Political Economy. Doctrinally, the approach taken is comparative, emphasizing similarities and differences that link and separate the classical, neoclassical, and Keynesian schools of thought.

There will be a midterm and a final examination, each counting for 50% of the semester grade.

### Readings

The lecture notes to be distributed in class are the principle required reading. Other items students are expected to read appear with an asterisk in the course outline below. Dasgupta's book should be purchased; the remaining works listed are either on reserve at Wollman Library or will be distributed.

- Ahmad, S. (1991), Capital in Economic Theory, Edward Elgar  
Dasgupta, A.K. (1985), Epochs of Economic Theory, Blackwell (hereafter AKD)  
Barber, W.J. (1967), A History of Economic Thought, Penguin (hereafter B)  
Blaug, M. (1985), Economic Theory in Retrospect, 4th ed., Cambridge  
Broome, J. (1983), The Microeconomics of Capitalism, Academic Press  
Burgstaller, A. (1994), Property and Prices, Cambridge  
Caves, R. et al. (1990), World Trade and Payments, 5th ed., Scott/Foresman  
Dixit, A.K. (1990), Optimization in Economic Theory, 2nd ed, Oxford  
Dobb, M. (1973), Theories of Value and Distribution since Adam Smith, Cambridge (hereafter MD)  
Dornbusch, R. and S. Fischer (1993), Macroeconomics, 6th ed., McGraw-Hill  
Eltis, W. (1984), The Classical Theory of Economic Growth, St. Martin's Press  
Ferguson, C.E. (1969), The Neoclassical Theory of Production and Distribution, Cambridge  
Foley, D.K. (1991), Growth, Distribution and Money, manuscript (hereafter DKF)  
Lichtenstein, P.M. (1983), An Introduction to Post-Keynesian and Marxian Theories of Value and Price, M.E. Sharpe  
Mainwaring, L. (1984), Value and Distribution in Capitalist Economies, Cambridge  
Marglin, S. (1984), Growth, Distribution, and Prices, Harvard  
Niehans, J. (1990), A History of Economic Theory, Johns Hopkins (hereafter JN)  
Pasinetti, L. (1974), Growth and Income Distribution, Cambridge  
Sala-i-Martin, X. (1990), Lecture Notes on Economic Growth I, II, NBER Working Paper No. 3563  
Sen, A., ed. (1970), Growth Economics, Penguin  
Staley, C. (1989), A History of Economic Thought: From Aristotle to Arrow, Blackwell  
Walsh, V. and H. Gram (1980), Classical and Neoclassical Theories of General Equilibrium, Oxford (hereafter WG)

### Course Outline

1. INTRODUCTION
2. NEOCLASSICAL MODELS I: Growth and conditional convergence of per-capita incomes. The Solow-Ramsey one-sector model.  
\*Dornbusch/Fischer, 10; Dixit, 10; JN 33.
3. CLASSICAL MODELS I: Growth and Distribution. The Smith-Ricardo one-sector model. Endogenous growth and growth constrained by nonreproducible resources.

\*AKD 2-3; B 1-3; WG 2-4,13; DKF 3-5; JN 7,9; MD 2,3.

4. NEOCLASSICAL MODELS II: The rediscovery of endogenous growth.  
\*Dornbusch/Fischer, 10; Sala-i-Martin, Part II; DKF 9.
5. KEYNESIAN MODELS: Growth and the problem of effective demand. Harrod-Domar, Kaldor-Pasinetti, and Tobin-q models.  
\*AKD 8; B 8; MD 8; Pasinetti, II,IV; Sen, Introduction
6. CLASSICAL MODELS II: Growth in the multi-sector economy. The Marx-von Neumann two-sector model. Nonreproducible resources and the Ricardo-Uzawa two-sector model.  
\*Findlay, R. (1974), Relative prices, growth and trade in a simple Ricardian system, Economica, 41:1-13; \*Burgstaller, A. (1987), Industrialization, deindustrialization and North-South Trade, AER, 77:1017; DKF 6; AB 1,5.
7. CONCLUSION