Abstract

The objective of this article is to analyse the effects of the introduction of desired rate of capacity utilisation in the macroeconomic structure of Post Keynesian growth models over the relation between income distribution, effective degree of capacity utilisation and economic growth. In order to do so, we will suppose that desired rate of capacity utilisation is a decreasing function of profit share. This change in the macroeconomic structure will produce a short run equilibrium configuration of the economy in which there are two equilibrium levels of productive capacity utilization and two equilibrium rates of growth. In this situation, an increase in wage share can produce either an increase or a decrease in the effective level of capacity utilization, depending on the initial value of this variable. For the long run equilibrium configuration of the economy, the endogenous treatment of planned degree of productive capacity utilization will produce a change in the causality relation between income distribution and economic growth. In our model, changes in the functional income distribution do not affect the growth rate of capital stock. In the long run, growth rate of capital stock is completely determined by the animal spirits of the capitalists, not being affected by changes in income distribution between wages and profits.