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A supermultiplier Stock-Flow Consistent model: the "return" of the paradoxes of thrift and costs in the long run?

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Abstract

Supermultiplier models have been recently brought to the post-Keynesian debate. Yet these models still rely on quite simple economic assumptions, being mostly flow models which omit the financial determinants of autonomous expenditures. Since the output growth rate converges in the long run to the exogenously given growth rate of "non-capacity creating" autonomous expenditure and the utilization rate moves towards the normal utilization rate, the paradoxes of thrift and costs remain valid only as level effects (average growth rates). This paper investigates whether the core conclusions of supermultiplier models hold in a more complex economic framework, described by means of a supermultiplier SFC model, in which private business investment is assumed to be completely induced by income while the autonomous expenditure component—in this case consumption out of wealth—becomes endogenous. The results of the numerical simulation experiments suggest that the paradox of thrift can remain valid in terms of growth effects and that a lower profit share can also be associated with a higher accumulation rate, though with a lower profit rate.

JEL: B59 - Other, E11 - Marxian; Sraffian; Kaleckian, E12 - Keynes; Keynesian; Post-Keynesian, E25 - Aggregate Factor Income Distribution, O41 - One, Two, and Multisector Growth Models

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