As implied in the first chapter, it is an oversimplification to say that a homogeneous school of thought exists in the post-Keynesian approach to economics and economic dynamics. The basic similarities of the post-Keynesians' approach are rooted in the fact that they all take Keynes's work as the starting point. However, there are major differences in emphasis, as among the major contributors to the post-Keynesian reconstruction of Political Economy. In this, and the following chapter, we attempt to briefly highlight the most important of these differences.

KALDOR AND STYLISED FACTS

The first explanation of distribution and growth by Nicholas Kaldor [26] appeared at about the same time as the publication of Joan Robinson's major work on the same subject [85]. In this chapter we will compare the approaches of the two authors. Since we will not be able to present the evolution of Kaldor's views in detail, the student is referred to his major works [27, 28, 30, 31].

The first difference to be noted is that Kaldor explicitly builds abstract models. But while they are abstract they are meant to correspond to what Kaldor calls the 'stylised facts' of the real world (more or less constant wage share in national income, generally stable growth, low or zero saving out of wages, steady growth of output per head and capital stock, etc.). The models are thus meant to reflect reality and to be used to analyse it in both a theoretical and a practical policy sense. In this sense Kaldor does not have any particular qualms about analysing changes over time in a particular economy, an exercise that Joan Robinson treats with the utmost caution.

For Kaldor stability is a natural property of long-period analysis, for Professor Robinson it is a myth. The same difference is apparent in the treatment of full employment. In Joan Robinson's models a number of quasi-golden-age situations are possible at less than full
employment of the labour force. In Kaldor's approach, if the system is in a position of long-run steady growth, full employment is a necessary outcome. Although Kaldor has been accused of achieving this result by assumption, he does, in fact, provide a logical analysis of its necessity which rests primarily on the assumption that available labour is the basic constraint to full-capacity utilisation of capital and growth [28, 30].

PRICES AND DISTRIBUTION

The Kaldor approach also differs markedly in its analysis of pricing, price response, and the operation of the distribution mechanism. This is largely because Kaldor chooses to analyse movements through time in a single economy. He generally follows the method of price determination that involves the addition of the normal rate of profit to wage costs of production in order to arrive at selling price fixed by the firm.¹ An increase in the rate of investment in the system then causes excess demand for consumption goods which drives up prices. As prices are assumed to adjust more quickly to changes in investment and aggregate demand, and money-wages slowly or not at all, the real wage falls as profits rise in response to a higher rate of investment. Actual changes in consumption goods prices bring about the reduction in consumption out of wage incomes as market-clearing is established. The rise in prices equally increases profits to accommodate the equality between savings and investment. This equality is assured by the assumption that the propensity to save out of wages is less than that out of profits (Kaldor in general assumes that \( s_w < s_p < 1 \)) which allows the system to achieve stable equilibrium growth at any rate of investment that produces a rate of profit high enough to encourage entrepreneurs to continue at that rate.

The major difference is that Kaldor assumes that this is a process that actually occurs over time. This requires the assumption that consumption goods' prices are flexible (at a minimum in an upward direction) or that there are rapid changes in entrepreneurs' expected gross profit margins (at least in the consumption goods sector); either of which respond quickly to the pressures of demand. On the other hand money wages must be assumed to respond very slowly or not at all (or in lesser proportion than prices).

¹ This is also the basis of some of the analysis presented in chapter 10, above.