Comments on “Conflict in the wage-led growth model”

This paper develops a three-class model of accumulation along Classical lines, in which there is conflict between the objectives of capitalists (who own firms) and entrepreneurs (who manage them). The resolution of this conflict is shown to have a bearing on the basic character of the growth process – specifically, whether or not it is wage-led (redistribution towards wages raises the rate of growth).

The paper adopts a novel approach to thinking through the implications for macrodynamics of a three-class social structure – a topic on which there is, as yet, only a nascent literature. The main deficiencies of the paper in its present form are as follows. First, it begins with a series of ruminations on a very broad literature, but the specific objectives of this paper – which are made clear in the final paragraph of section 1 – are not related back to this literature. It would help to end section 1 with brief but direct statements that help the reader to understand what the exercise just described will bring to bear on the debate over the character of the growth process (wage- or profit-led), and hence exactly what the paper contributes to knowledge.

Second, and more importantly, the objective functions of capitalists and entrepreneurs that appear on p.3 need further explanation and justification. For example, why do capitalists care about aggregate consumption and not their own profit? And why do entrepreneurs maximize profits (which they distribute to capitalists) and not their own rewards? The results subsequently derived in the paper obviously depend (in part) on these objective functions, so it would appear that providing a satisfactory behavioral rationale for them is critical to establishing the plausibility of the paper’s results.

Minor points

1. p.2, para 2 – what are the “first principles” to which reference is made in the first sentence of this paragraph? Accumulation as described in the Classical tradition? And at the end of the second sentence, “definitions” of what, exactly? In both cases clarification is needed.

2. p.2, para 2 – it is suggested that Post Keynesians “often employ life-cycle models of consumption behavior”. Really? How is Post Keynesian defined here? The life-cycle/permanent income hypothesis is surely the canonical modern neoclassical theory of aggregate consumption.

3. p.3, para 2 – strictly speaking, \( \rho \) (rho) is the output-capital ratio.