Growth and Income Distribution: Essays in Economic Theory. by Luigi L. Pasinetti
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ments in holdings and create perpetual tension among advocates of different patterns of adjustment (a tension which is temporarily relieved by porkbarreling or by direct exercise of political power, but which can never fully be resolved).

Nozick, by contrast, proposes that issues of economic justice be considered in the framework of an entitlement theory. Three questions are germane to the entitlement theorist: (1) Did holdings originate legitimately (was force or fraud an instrument of their acquisition)? (2) Were holdings transmitted to present owners legitimately? (3) If the answer to (1) or (2) is "no," what restitution is necessary or appropriate? The focus throughout is on individual claims based in the Rule of (Sidgwickian) Law.

Where is the hope for the poor and suffering under an entitlement scheme? Nozick's answer, though it will strike some readers as quaint and amusing, deserves a careful reading: he looks to the private philanthropy as a liberal, humane, and efficient substitute for the present (coercive, inefficient, and demeaning) arrangements. His discussion exposes the "free rider" issue and answers it with a presumption: that concern and charity are widely distributed sentiments.

The book is not a complete libertarian testament. Private economic institutions have been attacked on grounds of cyclicity, monopoly, and externality, as well as distributive equity; and Nozick's main effort is to answer the latter concern. Much work remains to be done in putting together arguments from first principle about the role of the state vis-à-vis those other issues. But it is surely concern for equity rather than efficiency or stability that has impelled the growth of the Labour party in Britain and comparable movements in America: Hobhouse and Tawney, not Keynes, nor Robinson and Chamberlin, nor Pigou, are the scribblers fermenting in the political distillery today. Thus, while incomplete, Anarchy, state, and utopia is nonetheless timely, germane, and potentially influential.

Rawls and Nozick in different degrees represent a healthy reaction from the latent totalitarianism of Hobhouse, who perhaps more than any other single person is the creator of present-day statist welfare. Rawls, in his lexicographically ordered "two principles of justice" assigns pride of place to liberty (and he goes beyond lip service to a few relatively trivial "civil liberties" in his discussions of the meaning of that term, although classical liberals will find his understanding of rights of property to be deficient). Nozick, as we see, goes all the way back (or forward) in commitment to liberal ideals.

If Keynes correctly appraised the practical impact of political philosophy, the belated interest now seen in Hayek's Constitution of liberty, the unambiguous rejection of reflexive egalitarian intervention by Rawls, and the fresh and compelling entitlement theorizing of Nozick combine to offer hope for the future among those who cherish liberty, efficiency, privacy, and charity.  

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It is curious how, to some economists, showing the historical antecedents of one's thoughts is sometimes viewed as lending an aura of authenticity and credibility to ideas that apparently cannot be verified in a more reputable way. Perhaps this is the reason that Pasinetti has put out this collection of essays.

The collection begins with a mathematical formulation of the Ricardian system, then jumps a hundred years to the Keynesian system ("The economics of effective demand"). This is followed by a chapter on cyclical fluctuations and economic growth and "From Classical to Keynesian economic dynamics." The next chapter is Pasinetti's deservedly celebrated article, "The rate of profit and income distribution in relation to the rate of economic growth." The concluding chapter entitled, "The rate of profit in an expanding economy" is a sequel to that paper and a comment on the debate to which it gave rise.

The essays are not integrated as much as one would have liked; it is as if the juxtaposition of the articles and the occasional use of a label, such as "Keynesian economic dynamics,"
would make self-evident the historical threads.
At a few points he has chosen to make the links
explicitly, as in the following passage (p. 43):

it is basically the Ricardian method of analysis
that Keynes has revived. The most typical indi-
cation of this is to be found in the directness with
which Keynes proceeds to state his assumptions.
Like Ricardo, he is always looking for fundamen-
tals.

Individually, the essays are well-written, and
provide good expositions of the viewpoints
represented. Some readers may find the mod-
els peculiar, or at least overly simplified, and
will take exception to particular points raised—
but this is an old debate, to which this book
adds little new.

Without attempting to protract the debate,
let me raise a few questions which in a subse-
quent revision, might be addressed:

1. Keynes entitled his great work, The
general theory of employment, interest and
money. Was the inclusion of money in the
title a mistake? Or was money an essential
part of the Keynesian model? If so, is it not
strange that a book, claiming to present
Keynesian models hardly mentions the word
(it does not even merit an entry in the index).

2. Pasinetti claims, “. . . the established
economic theory has proceeded for more
than a century on the amazingly myopic as-
sumption of no change in technical knowl-
dge” (p. 91). Established theory in Cam-
bridge, England, must be different from
established theory elsewhere. But as remark-
able as this statement may seem, there is no
mention of the subtle and difficult questions
involved in measuring the magnitude of tech-
nical progress—questions that have
been at the center of empirical work on
these questions during the past two decades.

3. The distinction between renters and
pure capitalists in modern industrial econo-
 mies does not seem to carry much force; if
so, the income of capitalists depends not only
on the return to physical capital, but also on
the return to land, natural resources, etc. But
the basic Cambridge equation, that the rate
of return on capital is equal to the rate of
growth divided by the savings propensity of
capitalists, is only true if there is no land, no
exhaustible natural resources, etc. In a model
allegedly developing out of Ricardo, where
land played such a crucial role, isn’t it curious
that natural resources are never mentioned,
let alone their implications for the general
theory developed?

4. Pasinetti argues that because in a social-
 ist economy, the savings rate out of profits is
unity, all socialist economies will be at the
Golden Rule, with the rate of interest equal
to the rate of growth. Surely this conclusion
should suggest to him that something is
wrong with his analysis: this is a strong
proposition—why doesn’t he attempt to test
it? Such a test would clarify whether there
is more to this proposition than an account-
ing identity. Certainly, it would appear that
socialist economies would have a choice for
growth paths—this result would suggest that
in the long run, at least, they do not.

But perhaps we are asking too much of this
book. In the established doctrine that I was
taught, money, technical progress, natural re-
sources, choices among growth paths, all were
central. But an adequate treatment of these
issues would have made the analysis more com-
plicated and obfuscated the central points that
Pasinetti wishes to raise. The central question
is whether the simplistic models of the kind
presented here so well capture some of the
most important and crucial elements of the
process of growth and the determinants of the
distribution of income. This, I am afraid, re-
mains a moot question.

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Cost benefit and cost effectiveness: Studies and
analysis. Edited by J. N. WOLFE. London:
Allen and Unwin, 1973. Pp. 236. £4.50, cloth;
£2.85, paper.

This volume contains eleven papers deliv-
ered at a conference of British academic and
government applied welfare economists held
at the Department of Economics of the Univer-
sity of Edinburgh. Professor Wolfe is a member
of that department.

The volume is divided into four sections, each
containing two or three papers: “Political
Economy,” “Theory,” “Fields and Areas,” and
“Frontiers.” The first section, which is the