Degrees of competition, the rate of return and growth in a classical/Sraffian perspective

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Abstract:

The purpose of the paper is a clarification of the concept of competition from a classical/Sraffian perspective; including an elucidation of how a classical/Sraffian approach might go about defining the degree of competition. This in turn allows for a sharper contrast between the Sraffian view of competition and mainstream views.

The starting point for the analysis is the work of Clifton which interprets the classical/Sraffian view of competition as more general than that of orthodoxy: one which can encompass competition between production units in a given industry as something constrained by more dominant forms of competition such as that between production units across industries for shares of the corporate surplus. Following on from the work of both Clifton and Semmler, and starting from the assumption that multi-divisional corporation is the relevant “firm”, and that the corporate target rate of return is the relevant rate of profit, the question arises as to what determines the latter. And this question has received very little attention outside the more traditional post-Keynesian literature on pricing.

The paper explores what is probably the most serious attempt within this literature - in the work of Eichner - to explain the target rate, in terms the desired growth rate of the corporation. This proposition has some interesting implications for a Sraffian approach, not least because it allows a link running from the expected growth of the economy to the target rate and thus the rate of profit. This in turn requires a discussion of the consistency of such a link with the Sraffian critique of the Cambridge growth equation. As well, a link between the target rate of return and the desired corporate growth rate link also has implications for the mechanics by which sectoral profit rates converge and thus for the classical/Sraffian literature on cross-dual dynamics.