7. In What Sense Does Monopoly Capital Require Monopoly? 
An Essay on the Contribution 
Kalecki and Steindl

Tracy Mott

On one occasion I talked with Kalecki about the crisis of capitalism. We both, as well as most socialists, took it for granted that capitalism was threatened by a crisis of existence, and we regarded the stagnation of the 1930s as a symptom of such a major crisis. But Kalecki found the reasons, given by Marx, as to why such a crisis should develop, unconvincing; at the same time, he did not have an explanation of his own. 'I still do not know', he said, 'why there should be a crisis of capitalism'. He added: 'Could it have anything to do with monopoly?'

Josef Steindl

The theory of monopoly capital, Paul Baran and Paul Sweezy (1966) tell us, is the attempt to rework Marxian economics for the stage of capitalist development in which oligopoly has replaced a more competitive form of capitalism. For Baran and Sweezy this suggests primarily the analysis of the twin phenomena of the tendency for the potential economic surplus to rise and of the problem of absorption of the surplus. The first phenomenon might be loosely classified as a microeconomic matter and the second as macroeconomic in nature. Baran and Sweezy (1966: 53–6) note that within 'bourgeois', or mainstream, economics there has been little attempt to link up the development of theories of 'imperfect' competition with the theory of effective demand problems launched by John Maynard Keynes. The major concern to make such a link, they say, is found in the (non-mainstream) work of Michal Kalecki and Josef Steindl.
IMPERFECT COMPETITION AND ‘NEW KEYNESIAN’ ECONOMICS

Kalecki's and Steindl's recognition of a link between the question of monopoly, or oligopoly, and the issue of effective demand failures, wherein all of the surplus is not 'realised' and unemployment of labour and capital results, has been taken up recently, however, by some mainstream economists. A growing body of economists, grouping their work under the heading of 'New Keynesian' economics, are appealing to market 'imperfections' as a way to explain the existence of effective demand problems.

The main thrust of this work is to generate non-market-clearing outcomes due to the failure of some prices to adjust properly even under rational behavior on the part of all economic agents. Thus it differs from older versions of Keynesian economics which were accused of assuming wage or price rigidities without an adequate explanation underlying such behavior. Imperfections in competition are not sufficient by themselves to generate the failure of markets to clear, and they are not the only way to generate such failures, but their use for such a function is widespread enough for us to examine what might be called a Neoclassical version of monopoly capital.

The role of monopoly in such a framework is to establish a sufficient degree of rigidity of the mark-up of price over cost. This can be done by assuming that firms in imperfectly competitive industries set prices by a simple rule of thumb mark-up or by optimising given their price elasticity of demand. In either case shifts in aggregate demand are not likely to alter the mark-up very much, if at all. In fact, with perfect money wage and price flexibility nothing real should change. The higher is the 'degree of monopoly', the lower is the level of output and employment, but this does not cause 'involuntary' unemployment, since it merely lowers the real wage, moving employment down along the labour supply curve.

Combining imperfect competition with price-changing, or 'menu' costs, however, will retard the ability of the economy to respond to a demand shock by merely changing nominal magnitudes and so will rather cause movements in output and employment. When firms have some power over setting prices and changing prices is costly, it can be shown that the gain to each firm of price adjustment to a shock may not outweigh the cost, while the loss to the economy in terms of output and employment is significant.

The role of monopoly here is not sufficient, but it is necessary. Keynesians also of course have generated nominal rigidities causing unemployment in the labour market by means of devices such as long-
term explicit or implicit contracts, though there is some agreement at present that imperfect competition plus costly information leading to price rigidities may be more important than labour market rigidities in explaining unemployment. Gregory Mankiw (1987) notes that many of the money wage rigidity arguments are hard to reconcile with rational behavior, that if money wages relate to a long-term contract, they may then not affect the short-term employment decision, and that real wages are not actually observed to be at their highest in business cycle downturns.

THE ROLE OF IMPERFECT COMPETITION IN KALECKI'S ECONOMICS

How does the New Keynesian use of monopoly in explaining fluctuations in output and employment compare to that of Kalecki and Steindl? The reader will probably have noted some similarities with Kalecki, who also wanted to establish the rigidity of the price–cost mark-up. The role of rigid mark-ups in Kalecki's explanation of output and employment fluctuations, however, is not to help justify the existence of price rigidity. Rather, it functions to relate the distribution of income between profits and wages and the propensities to save out of each category to the level of effective demand. Since a fall in the overall level of mark-ups will transfer income from profits to wages, if the propensity to save out of profit income is greater than the propensity to save out of wage income, a fall in investment spending will not be offset by a rise in consumption spending if mark-ups do not decrease.6

The New Keynesians, however, do not discuss differential propensities to save. Their models are cast in terms of the representative household or firm, either of which receives its proportionate share of attributable income of whatever type. The main concern in these models is, as discussed above, to generate sufficient price inflexibility to prevent market-clearing which would continuously restore the full employment level of output.

That price flexibility will clear markets and maintain full employment is often taken these days without question. This was not the case immediately following the publication of Keynes' General Theory of Employment, Interest, and Money. There Keynes (1964 [1936], ch. 19) discusses the possible effects of money wage flexibility and allows, with a high degree of skepticism, for the possibility of an employment-increasing fall in interest rates due to an increased real quantity of money as falling money wages cause falling prices.
Kalecki (1944) was perhaps the first to argue against the efficacy of A.C. Pigou's (1943) argument that falling prices generate a wealth effect in a world with debt fixed in nominal terms. Kalecki's critique was based on his perception that only what we today call 'outside money' represents net wealth and that this forms a rather small quantity to depend on for Pigou's effect. Additionally, as James Tobin (1980) has pointed out, if the propensity to spend of debtors is higher than that of creditors, not to mention bankruptcies reducing the value of creditors' holdings, it is hard to imagine that the road to full employment runs on price deflation's increasing the real value of assets denominated in money.

Kalecki's effective demand story then is not dependent upon price inflexibility which prevents sufficient spending out of wealth but rather upon mark-up inflexibility which prevents sufficient spending out of wage income when investment decreases. What does this strictly have to do with monopoly? To get an expansion in aggregate demand when investment declines, in effect the degree of monopoly must decrease. This then is a matter of changes in rather than the level of the degree of monopoly. Since in the case of 'perfect' competition the degree of monopoly cannot decrease, we cannot rely on proper mark-up flexibility to increase demand there, either.

Thus, though 'imperfect' competition is surely the general case and perfect competition a limiting and even mythological case, imperfect competition is not a necessary case for the effective demand results of Kalecki or Keynes or Baran and Sweezy. Keynes certainly saw this, for he deliberately assumed perfect competition, probably to ensure that his theory of unemployment could not be interpreted simply as the result of output restrictions that were already known to follow from imperfect competition.

THE MEANING OF PERFECT VS. IMPERFECT COMPETITION

Before proceeding further, it might be appropriate to say more about the usage of the terms 'perfect' and 'imperfect' competition. For Neoclassical economics and for Kalecki perfect competition refers to a situation of zero profits. Thus 'monopoly' is necessary for Kalecki's model of the capitalist economy in that it is necessary to generate positive profits. Many Marxian and neo-Ricardian economists, however, maintain that 'competitive' capitalism refers to a situation of positive profits with equal rates of profit across industries, while 'monopoly' capitalism refers to a situation of unequal
profit rates, unequal due to the ‘imperfections’ in competition arising from the emergence of oligopoly.\textsuperscript{11}

Thus far we have established that monopoly capital does not require monopoly to generate problems in the realisation of the potential surplus and attendant redundancy of labour and capital due to effective demand failures. It may require monopoly to generate any potential surplus at all, if one defines perfect competition to mean zero profits. Certainly the idea of profits as the goal of capital accumulation and spending out of profits as an important determinant of aggregate demand is hardly consistent with a world in which zero profits are the norm.\textsuperscript{12}

STEINDL’S THEORY OF THE COMPETITIVE PROCESS

A deeper connection between the existence of monopoly and concern over surplus absorption, however, which also I think clears up some of the confusion about the question of differing types of competition, is found in Steindl’s (1976 [1952]) *Maturity and Stagnation in American Capitalism*. This represents Steindl’s work on the relation of monopoly to the crisis of capitalism, as Kalecki had suggested before he left the Oxford Institute of Statistics, where both he and Steindl were working, in 1944.

The book seeks to explain the long-run forces underlying the Great Depression of the 1930s. Steindl (1976 [1952]: xii) contends that ‘the growth rate of private wealth had declined for a long time before it stagnated in the 1930s’. To show what caused this, he works on Kalecki’s edifice, adding some essential modifications concerning the theory of oligopoly and its effects on investment that complete the open parts of Kalecki’s system with respect to the idea of the degree of monopoly and the question of the flexibility of price–cost mark-ups.

Steindl reconstructs Alfred Marshall’s explanation of differences in profit margins among firms in an industry as differential rent, as in David Ricardo. In industries where entry is easy and there are size differences among the firms, the small producers are the ‘infra-marginal’ firms earning zero, or ‘normal’, profits, while bigger firms will be earning excess profits, or ‘rent’, according to their cost advantages over the small firms. Competition proceeds through cost reduction by means of innovations and scale economies. This entails reinvestment out of profits in order to innovate and grow at the same rate or better than one’s rivals. Certainly some of the investment is
financed by new issues of debt and equity, but the ability to borrow and to issue new shares is also a function of the firm’s profits, in accordance with Kalecki’s (1937) ‘principle of increasing risk’, which argues that illiquidity concerns limit the amount of borrowing a unit of capital can undertake.13

The competitive process also entails the deliberate holding of excess capacity. Steindl contrasts his argument for excess capacity with the theories of imperfect competition, which hold that excess capacity is due to excessive profit margins. His theory maintains just the opposite: excessive profit margins are due to holding excess capacity. Firms want to be built up ahead of demand to ensure their ability to keep up with their competitors.

Both price-cutting when costs fall and expenditures on selling costs, where this is feasible, are open to firms as a way to fight for growth and market share. Price competition, however, as a method of growth is only useful where it is possible to drive out marginal producers by pricing below their costs. Otherwise a cut in price is likely to be followed by rivals, as in the ‘kinked demand curve’ story, and so will not bring a bigger market share and more profits with which to reinvest. Where industries reach a stage such that even the smallest firms hold considerable capital and earn more than marginal profits, cost differentials across firms are probably not large enough to allow price competition to serve as a useful strategy.

What will happen, though, if excess capacity should become greater than the deliberately desired amount? This will certainly weaken the inducement to invest in more capacity, but there are different further repercussions in ‘competitive’ vs. ‘mature’, or oligopolistic, industries described above. In a ‘competitive’ industry, which we described as one with several small producers who are operating on the margin and so can be driven out easily, we might expect a reduction in prices and thus in mark-ups as the utilisation of capacity starts to decline below the desired level. This will drive some smaller firms out of business, utilisation for the remaining firms will rise, and investment and the competitive process will resume.

In a ‘mature’ industry, however, where there is a significant minimum size required for existence and thus even the highest cost firm has a small enough cost differential relative to the others, it is not so much in anyone’s interest to reduce mark-ups. Instead of maintaining demand and therefore utilisation, a strategy of price-cutting will not attract enough new demand to any firm to help. The overall profit margin of price over cost will shrink due to a fall in utilisation and thus a rise in overhead, but the mark-up of price over direct cost
will probably be maintained. The mark-up has become inflexible, or inelastic, downwards.  
Steindl (1976 [1952]: 137) identifies this as an historical process as follows:

Under what circumstances will this type of inelasticity appear? As has been explained, the squeezing of profit margins happens through the competition of entrepreneurs, which is essentially a process of squeezing out the weakest competitors. It is obvious that this mechanism works relatively well in a system where there are plenty of small producers, and plenty of competitors anyway. Thus, no difficulties of this type should appear in early capitalism, and even in fully developed capitalism for quite a time. In a mature capitalism, however, where large-scale production becomes the only possible form in many industries, and where, moreover, the number of competitors is reduced to a very few in a great number of cases, the profit margin becomes inelastic in the downward direction.

The relation of monopoly to downward rigidity in the mark-up and thus to the tendency for the potential surplus to rise and the relation of monopoly to weakness and instability in investment spending and thus to the problem of absorption of the surplus are demonstrated by Steindl to be a matter of the logic of the historical process of capitalist development. As Karl Marx (1967 [1894]: 250) puts it, 'The real barrier of capitalist production is capital itself'.

Mark-ups become downwardly inflexible because firms with large amounts of fixed capital will be able to fight too strongly in a price war to make it worth anyone’s while to engage in such a strategy. This means that undesired excess capacity won’t be eliminated by firms’ lowering prices to sell more. This in turn slows down investment in new capacity. This fall in investment spending is not offset by a rise in consumption demand because mark-ups won’t fall. And nothing in this story is inconsistent with the kind of rational behavior that the New Keynesians want to have for ‘microfoundations’ of macroeconomics. Finally, Steindl provides us with the proper meaning of the distinction between competitive and monopoly capitalism.

Steindl’s work represents an advance upon, or better a completion of, Kalecki’s pricing theory. Kalecki realised the weakness of seeking to determine the level of mark-ups on the basis of firms’ profit maximization under less than perfect price elasticity of demand, but he never got beyond discussing the static determinants of the ‘degree of monopoly’ facing a firm or industry.
LOGICAL-HISTORICAL PROCESSES VS. ‘IMPERFECTIONS’

This of course does not exhaust the contribution of Kalecki and Steindl to the theory of monopoly capital. The main point this essay seeks to make, though, is that the thrust of Kalecki’s and Steindl’s concern for monopoly is not to establish some ‘imperfections’ that prevent market-clearing. Effective demand failures, as Keynes well realised, can be explained within a framework of ‘perfect’ competition, however mythological such a framework is for the theory of a capitalist economy. Conversely, the New Keynesians cannot generate equilibrium unemployment from models with ‘imperfect’ competition without also adding at least one other ‘imperfection’.

The purpose of Steindl’s analysis of the process of competition and the emergence of monopoly is to relate that emergence to the slowdown and instability in investment plaguing the ‘mature’ capitalist economies of the twentieth century. The rigidity in mark-ups that occurs in mature industries is not a matter of ‘imperfect’ as opposed to ‘perfect’ competition but of the emergence of small as opposed to large cost differentials across firms as the process of competition proceeds.

Starting from Neoclassical conceptions of economic rationality and coordination, as the New Keynesians do, makes it hard to avoid locating effective demand failures in imperfections in the neo-Walrasian system. The New Keynesians deserve credit, I believe, for discovering logical contradictions in the neoclassical argument for continuous full employment purely on the basis of Neoclassical reasoning. What they fail to do, however, is to penetrate to the conclusion that the logic of the economic system as a whole overrides individual rationality so much so that studying the logic of the development of the system is what is required.

MODIFICATIONS AND EXTENSIONS OF KALECKI’S AND STEINDL’S THEORIES

Nina Shapiro (1988) has critiqued a key assumption of Maturity and Stagnation, that firms invest only in their own industries. She argues that the development of new products is consistent with the type of competitive process that Steindl himself describes. Upon reconsideration Steindl (1976: xi-xii; 1990 [1979], ch. 9) has indicated that he now concedes that he was mistaken to dismiss the development of
innovations. He attributes this error to his impression of a great length of time normally required between a scientific discovery and its exploitation by business. He says that he did not realise that those ideas which are sufficiently developed to be attractive to business are scarce enough to attract a great deal of investment. He also was afraid that using innovations to generate an exogenous trend would inaccurately fail to leave room for the importance of the endogenous trend following from his theory of maturity.

Steindl (1990 [1981], ch. 10) has since written on the relation between exogenous innovations and endogenous forces, concluding that though innovations can stimulate economic activity, eventually the endogenous forces will overtake them. Thus, as in, for example Kalecki (1969 [1952]), a continuing stream of innovations can serve as exogenous ‘shocks’ which will ensure a positive trend to a model economy, while there are endogenous effective demand limitations dampening the effect of the shocks. This, as is well known, can produce a marriage of trend and cycle which looks very much like the behavior of actual economies. It also fits with Baran and Sweezy’s (1966) discussion of the importance of ‘epoch-making’ innovations.

Another potential problem for the Kaleckian and Steindlian underpinnings of the theory of monopoly capital arises from the empirical failure of the average mark-up to rise in the post-World War II U.S. economy. That is, the mark-up, measured by the ratio of price to unit labour costs, has not shown any significant tendency to rise and actually has been slightly lower in the 1970s and 1980s compared to the 1960s. Similar behavior for other industrialised countries is noted by Malcolm Sawyer (1989). Sawyer suggests that increasing international competition may explain this. Steindl (1990 [1989]) notes that Sawyer’s measure may be affected by changes in the utilisation of capacity but believes that profit margins at a given degree of utilisation have still declined and agrees that increasing international competition may explain this. In Steindl (1990 [1981], ch. 10) he mentions a factor also emphasised by Kalecki (1971 [1954], ch. 5), the ability of organised labour to cut into the mark-up. This may have kept the mark-up from rising as increases in labour productivity lowered costs, while increasing international competition ate into the mark-up after 1969.

Steindl’s basic theory of the emergence of maturity, however, is only modified by considering the development of new products and the power of trade unions. Increasing international competition is but another example of Steindl’s framework and only alters it to the extent that political economic factors (e.g., protectionism) may more easily play a bigger role there than in a purely domestic case. An excellent
example of the process of competition as described by Steindl, I believe, is seen in the behavior of the U.S. airline industry after the deregulation of the mid-1970s. Initially the high profits available to the previously cartelised industry attracted a bunch of startups and led the already-existing firms to penetrate each other’s regional markets and to cut prices on well-traveled routes in the attempt to drive out rivals. Eventually, however, the smaller firms, which could least afford to bear the massive losses being rung up by the intense price competition, went out of business or became absorbed in mergers. Today the number of likely nation-wide survivors is widely predicted to be three – American, Delta, and United – and fares are expected to rise once the now- or near-bankrupts finally give up.

Baran and Sweezy’s problem of absorption of the surplus has also been modified somewhat by the greater internationalisation of domestic economies but even more so by political economic factors. Kalecki (1971 [1943], ch. 12) predicted this in his famous article, ‘Political Aspects of Full Employment’, which gave us the first usage of the term ‘political business cycle’. Kalecki (1972 [1956]; 1972 [1964]; 1972 [1967]) and Steindl (1976 [1952]: ix-xvii; 1990 [1982] [1979] [1989] [1982] [1985] [1983] [1985], chs. 8–9, 1317) discuss some of the political factors involved in the postwar revival and subsequent stagnation of the industrialised economies. Their explanations of the revival are similar to Baran and Sweezy’s – tax-financed government spending, mainly on military and related expenditures, as governments learned to use ‘Keynesian’ demand-creating fiscal policy tools and found what they considered to be suitable subjects for such expenditures. The subsequent stagnation they attribute also to the usual suspects – increased international interpenetration of economies, rising inflation, hostility towards minority and imported workers, energy shortages, etc. – all of which give support to advocates of demand-restricting policies, since they are taken to reward the performance of economies which can restrain wage increases.

The critique of monopoly capital from within Marxian economics by those arguing for a return to the orthodox ‘falling tendency of the rate of profit’ argument or those favoring a ‘profit squeeze’ theory of business cycles have interpreted the macroeconomic history of the post-World War II period differently, in a way that supports each of their own respective views. They see in the fall in the mark-up and profit share refutations of the ‘demand-side’ or ‘Keynesian’ views of the monopoly capital school and backing for Marxian ‘supply-side’ types of arguments.
If we add, however, financial factors and the political economy of the conflict between interest recipients and everyone else to the story, we have more support in favor of using and modifying Kalecki’s and Steindl’s theories to interpret this era. Cycle downturns and stagnant recoveries since World War II have, I believe, been largely precipitated and maintained by financial stringency to fight inflation and balance of payments concerns, which particularly bother interest recipients and are taken to be hurtful to all. Anti-inflation policy of this type, however, of course decreases profit and wage income. This is compounded by the build-up of debt as firms and households attempt to maintain themselves in the face of profit and wage stagnation, which in turn makes these entities more sensitive to credit restrictions at the same time that they are more dependent on borrowing.

This gives us a view also very similar to that of Hyman Minsky (e.g., 1986) and moves us away from a strict reliance upon investment accelerator or capital stock adjustment business cycle theories and so the emergence of excess capacity as an explanation for (rather than a consequence of) every cycle downturn. I locate the parentage of this finance capital perspective in Kalecki’s (1937) ‘principle of increasing risk’, presented above. The competitive process and so investment decisions are thus affected by the availability of finance in a way quite in tune with the monopoly capital framework. As argued above, investment spending is financed primarily, though not exclusively, by internally-generated funds. Upon reaching the stage of maturity, there become agglomerations of finance seeking investment outlets. The accompanying slowdown in investment, however, reduces profits. Renewed expansion requires increasing debt loads. The rise in interest rates by which interest recipients and/or central banks protect themselves from inflation increases the burden and riskiness of debt charges. This in turn slows down investment spending, which reduces aggregate demand and profits, decreasing investment further, and so on, analogously to downturns caused by the emergence of excess capacity. In an era in which governments know how to affect aggregate demand with policy, recessions are more often attributable to policy. The particular version which Kalecki’s ‘political cycle’ has taken, I believe, has become this story of now fighting recession with fiscal and monetary policy, now fighting inflation and/or a balance of payments deficit largely with monetary tightness.
CONCLUSIONS

The importance of monopoly to the theory of monopoly capital has much more to do with the emergence of chronic macroeconomic stagnation than it does with any effect on microeconomic allocation. As a 'microfoundation' for macroeconomics, monopoly does not work so much as an 'imperfection' within the neo-Walrasian conception of market-clearing but rather as a restraint on adequate consumption and investment spending. As demonstrated by Steindl, building on the foundations established by Kalecki, the competitive process in any industry logically develops towards a stage of 'maturity', in which price-cutting to increase demand and capacity utilisation no longer is a sensible business practice. This in turn both slows down further investment spending and prevents decreases in mark-ups which would increase consumption spending.

The twin problems of monopoly capital identified by Baran and Sweezy – the tendency for the potential surplus to rise and the problem of absorption of the surplus – are explained by Steindl’s theory of the emergence of maturity. Modifications which need to be made to this theory involving such matters as the development of new products, wage pressure on mark-ups, political cycles, and increasing internationalisation of capital represent re-examinations following upon the logic of the theory itself. What it explains then becomes not simple secular stagnation but a broader process of uneven development, also bringing in political factors and the interaction between politics and economics in a world of nation-states within an increasingly international economy. Seeking to understand what new developments this conjuncture will itself entail gives us much future work to do.

NOTES

1. This quote is from Steindl (1990 [1984]: 246).
2. Baran and Sweezy (1966: 56) also note that Kalecki discovered Keynesian effective demand failures independently of Keynes and add that ‘anyone familiar with the work of Kalecki and Steindl will readily recognize that the authors of the present work owe a great debt to them’.
3. Baran and Sweezy (1966: 6, n.3) write, ‘Throughout this book, except where the context clearly indicates otherwise, we use the term “monopoly” to include not only the case of a single seller of a commodity for which there are no substitutes, but also the much more common case of “oligopoly,” i.e., a few sellers dominating the markets for products which are more or less satisfactory substitutes for one another’. I will follow their usage in this paper as well.
4. See, e.g., Olivier Blanchard and Stanley Fischer (1989, chs. 8–9) or Robert Gordon (1990) and the references contained therein.
6. See Kalecki (1971 [1934], ch. 8).
7. See also Irving Fisher (1933), who in effect argued against Pigou in advance.
8. See also Frank Hahn (1969 [1963]) for a critique of Don Patinkin’s (1965 [1956]) work on this question.
9. There is some New Keynesian work, e.g., Bradford DeLong and Lawrence Summers (1986), Bruce Greenwald and Joseph Stiglitz (1988a, 1988b), and Ben Bernanke and Mark Gertler (1989) which recognises that wealth effects due to price flexibility may work in the wrong direction.
10. If firms were to drop prices below costs, or if the real wage were to increase due to productivity increases, aggregate demand would increase, but neither of these possibilities could be taken to be systematic responses to decreases in effective demand.
11. See Donald Harris (1988: 159-61) for a discussion of this point of view. Amitava Krishna Dutt (1990) argues that the fundamental distinction between the ‘classical theory of competition’ and monopoly capitalism is not whether or not profit rates across industries are equalised but, rather, whether or not profit rates are equalised, prices are determined by monopoly power. He points out that this is in turn implies that competition in the Classical sense of movements in capital in response to profit rate differentials could intensify following a rise in monopoly power as James Clifton (1977) and others have claimed, but a different theory of price determination would still be required. The most serious problem with the Classical theory of competition, I believe, is that pointed out by David Levine (1980), namely, that the Classical theory does not treat the role of the firm in the competitive process adequately.
12. See, however, Keynes’s (1936 [1930]) Treatise on Money, wherein changes in profits relative to zero are taken as signals to expand or contract output, and spending out of such ‘windfalls’ is also taken into account.
13. See also Kalecki (1971 [1934], ch. 9) and Tracy Mats (1982). Some of the New Keynesians (e.g., Greenwald, Stiglitz, and Weiss, 1984) have made the same argument based on considerations of asymmetric information and moral hazard.
14. There is a considerable literature devoted to Kalecki’s pricing theory, involving questions such as its influence, its development over time, its problems, and whether or not Kalecki’s notion of the ‘degree of monopoly’ is a tautology. Peter Kriesler (1987) seems to have written the definitive work on this.
15. Kalecki (e.g., 1969 [1952]) has always acknowledged the importance of innovations, seeing them as vitally important for the existence of long-run growth in a capitalist economy.
16. Today there is some feeling that damped linear models relying on exogenous shocks to maintain persistence should be replaced by nonlinear models which can maintain persistence endogenously. In response to such an argument by Richard Goodwin (1989), Steindl (1989) has commented that the exogenous innovations are there and have to be taken into account in any event. Since they are asymmetric, they can be used with a linear model to get something that should look a lot like actual cycles.
17. Keith Cowling (1982, ch. 6) argues that increasing internationalisation of trade need not decrease mark-ups. Whether it does or not, he says, should depend upon whether or not there are significant asymmetries in competition present. That is, do new rivals see benefits coming from price competition or not? He cites the case of new Japanese penetration as one in which asymmetries leading to price-undercutting by the Japanese firms are often perceived, since the Japanese are protected from retaliation in their home market. This view fits of course with Steindl’s analysis.

Cowling goes on to say that freer trade may well be looked upon by companies as a way to increase profits through wage-cutting, since international mobility of capital and distribution allows firms to seek out the lowest wage cost production site
without regard for product demand in that particular country. This of course will
tend to increase mark-ups. It also supports Kalecki’s and Steindl’s views regarding
when we should see political backing for ‘stagnation policy’ to keep wages down,
to be discussed later in this paper.

18. See, for example, Paul Maitick (1969); David Yaffe (1973); Andrew Glyn and Bob
Sutcliffe (1972); and Samuel Bowles, David Gordon, and Thomas Weisskopf
provides a discussion from the monopoly capital point of view, of this and other debates
among rival schools of modern Marxian thought.

19. The association between monopoly and finance capital goes back to Rudolf
Hilferding (1910). Steindl (1976) gives credit to changes in the cost
of finance for determining the timing of the onset of the Great Depression and to
the debt–equity ratio as a determinant of investment spending in general. Amit
Bhaduri and Steindl (1985) suggest that the doctrine of monetarism may be a means
of support for the ‘rentier’ (interest-receiving) class. Some of my own ideas on
these issues can be found in Mott (1983–6, 1989) and Mott and Grainger Caudle

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