

Crowding out Capitalism – Graphics

On this page we present diagrams of the time paths of different variables comparing the scenarios of:

- 1.) The Golden Rule Path
- 2.) The simple capitalistic model
- 3.) The Pasinetti model
- 4.) The Crowding out Capitalism model
 - 4A) The Crowding out Capitalism model with unchanging savings assumptions
 - 4B) The Crowding out Capitalism model with optimal savings assumptions assuring the development along the Golden Rule path.

The Production Function

The production function is assumed to be $Q = Ak^a$ A = 2623,28
a = 0,25
 The natural rate of growth of the labour force is n = 0,03

The Savings Assumptions

In the Golden Rule scenario all profits are saved, all wages are consumed.

In the Capitalist scenario 0,6 of the profits are saved and reinvested, all wages are consumed.

In the Pasinetti scenario capitalists save 0,6 out of their profits and workers save 0,1 out of their earnings from wages and profits.

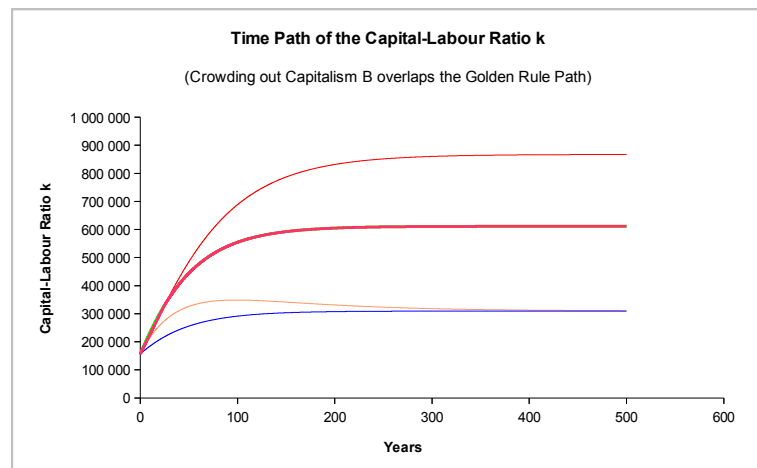
In the Crowding out scenario A the capitalists save as in the Pasinetti scenario but the workers save all their profits and in addition 0,1 out of their wages.

In the Crowding out scenario B the capitalists behave as before but the workers save as in scenario A up to the point when worker's consumption is equal to the Golden Rule. Then workers save out of their wages to assure the capital accumulation is equal to the Golden Rule Path.

The Time Paths of Economic Variables

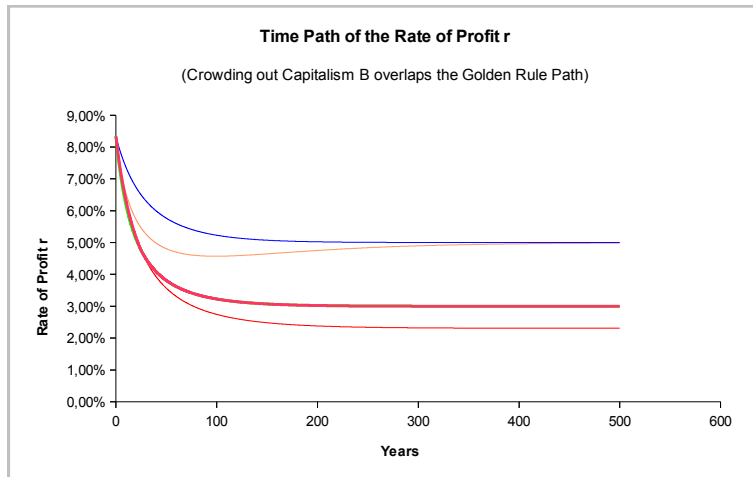
1. The Capital-Labour Ratio k

k
Golden Rule
Capitalism
Pasinetti
Crowding out Capitalism A
Crowding out Capitalism B



2. The Rate of Profit r

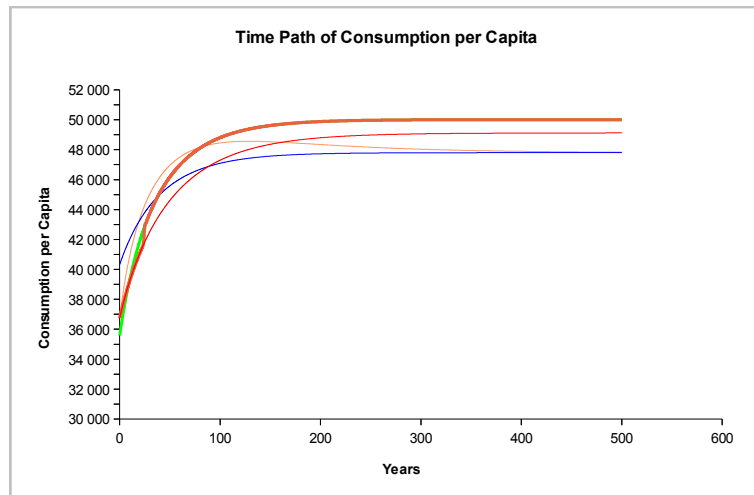
r
Golden Rule
Capitalism
Pasinetti
Crowding out Capitalism A
Crowding out Capitalism B



3. Consumption per Capita

C/Persons
Golden Rule
Capitalism
Pasinetti
Crowding out Capitalism A
Crowding out Capitalism B

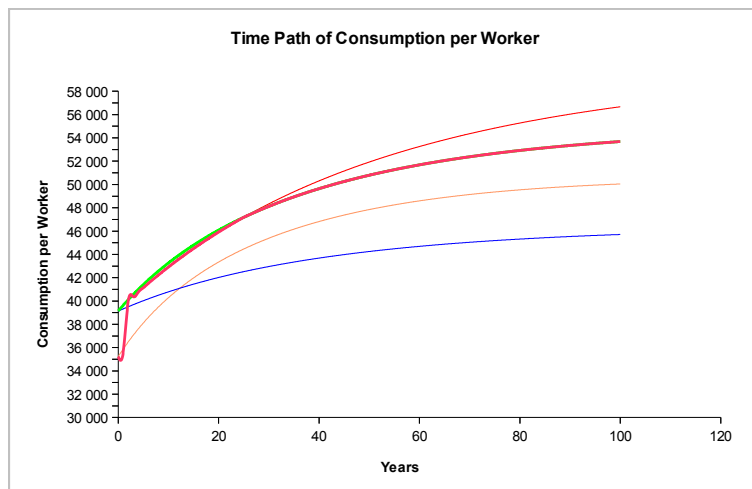
Also in this diagram the optimal Crowding out Capitalism scenario B overlaps the Golden Rule Path very early.



4. Consumption per Worker

C/Worker
Golden Rule
Capitalism
Pasinetti
Crowding out Capitalism A
Crowding out Capitalism B

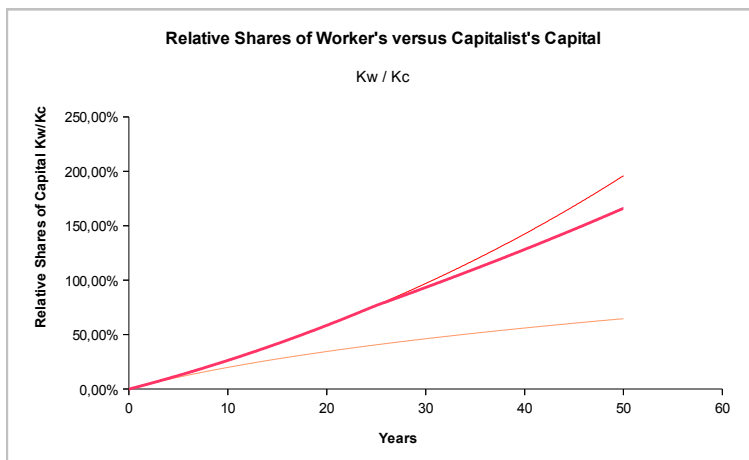
Here one can see worker's strategy in the Crowding out Capitalism B scenario to reach the Golden Rule path.



5. Share of Worker's Capital as % of Capitalist's Capital

Under the Golden Rule all Capital has to be considered as being socialised. There is no capitalist's capital.
 Under Capitalism all capital is considered being capitalist's capital. There is no worker's capital.

K_w / K_c
Pasinetti
Crowding out Capitalism B

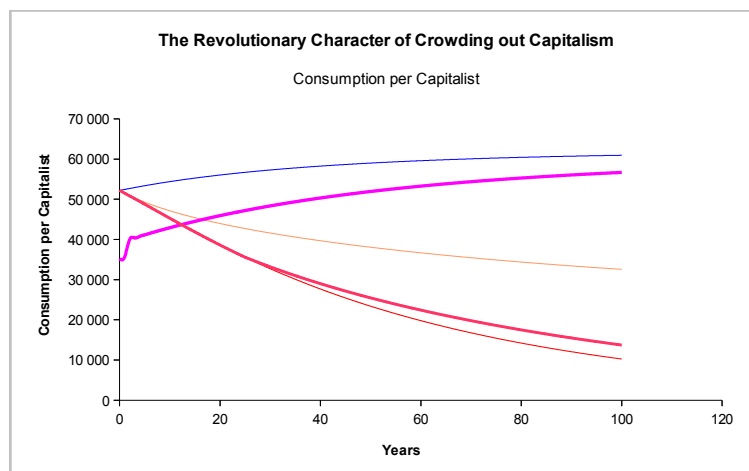


6. The Revolutionary Character of Crowding out Capitalism – Capitalists Consumption

In the models is assumed that the capitalists are always 10% of the worker's population.
 As capitalists do not receive wages they have to live on profits.
 As the rate of profit as well as their share of profits declines their consumption declines also.

Under the Golden Rule there are no capitalists.

C_c per Capitalist
Capitalism
Pasinetti
Crowding out Capitalism A
Crowding out Capitalism B
Worker's Consumption



Already after 13 years worker's consumption exceeds capitalist's consumption per head.
 This is clearly the end of capitalism if a counter-revolution can be avoided.