

NOTES ON THE TRANSFORMATIONAL GROWTH OF DEMAND

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Abstract;

Both neoclassical and Post Keynesian growth theories have failed to explain the determinants of the growth of demand. Both in effect have held that in the long-term, growth of supply determines growth of demand. But when finance is available, this cannot be the case. Historically the growth of demand has depended on the changing structure of social classes, which in turn is also a key to the growth of productivity. Understanding this makes it possible to develop a simple theory, in which the growth of demand is endogenous, and interacts with capital intensity, productivity and relative shares. By defining a distinction between 'collective goods' and 'personal goods' this model can be extended further to include the growth of Government in relation to total output as an endogenous process. The paper closes with comments on the limitations of theories of endogenous demand growth.