
Index

- Abbott, T. 268
Abramovitz, M. 155, 178
accounting identity
 aggregate production function
 criticisms *see* aggregate
 production function criticisms,
 reasons for ignoring, and
 accounting identity implications
 aggregate production functions
 as *see* aggregate production
 functions, behavioural
 relationship or accounting
 identity?
 and Cobb–Douglas production
 function *see* aggregate
 production function,
 behavioural relationship
 or accounting identity?,
 accounting identity and Cobb–
 Douglas production function
 and cost functions *see* aggregate
 production function,
 behavioural relationship or
 accounting identity?, cost
 functions and accounting
 identity
 critique, first appearance of 152–4,
 155–7
 linear 54–6, 58–9
 observed and virtual *see* aggregate
 production function,
 behavioural relationship or
 accounting identity?, accounting
 identities, observed and virtual
 problems, neoclassical dual-sector
 growth model 242–5
 problems, *see* Mankiw–Romer–Weil
 (MRW) test of neoclassical
 growth model
 simulation studies *see* simulation
 studies, aggregate production
 function and accounting
 identity
 Solow and total factor productivity
 measurement 205–7
 and Solow’s ‘Technical Change
 and the Aggregate Production
 Function’ paper *see* Solow’s
 ‘Technical Change and the
 Aggregate Production Function’
 paper, and accounting identity
accounting identity for estimation
 of degree of market power and
 mark-up, problems with 266–83
 Bureau of Economic Analysis (BEA)
 and high mark-ups in non-
 manufacturing industries 270
 Caballero and Lyons extension of
 Hall’s procedure 279–81
 Caballero and Lyons extension of
 Hall’s procedure, externality
 effect in production 279–80
 empirical illustration of Hall’s results
 273–6
 gross output use 282–3
 Hall’s estimation procedure 271–4,
 279–80
 Hall’s method of estimating mark-
 up 267–71, 276–9
 literature survey 268–71
 marginal cost 266, 267–8, 269, 270,
 274, 279
 monopoly profits 271, 278–9
 nondurable goods industry 276,
 277–8
 production function use 267–8
 Solow residual, increasing returns
 to scale, and revenue and cost
 shares 276–9
Acemoglu, D. 6
Akerberg, D. 338
Adams, F. 133
advanced countries, neoclassical dual-
 sector growth model, problems
 with 240, 246, 247, 248,
 249

- aggregate production function
 - defence of 10–12, 14
 - definition 45–6
 - problems 4–6, 8–10
 - simulation studies *see* simulation studies, aggregate production function and accounting identity
 - and technical change *see* Solow's 'Technical Change and the Aggregate Production Function' paper, and accounting identity
 - as technological relationship 12–14, 15–16
 - and time-series data 11, 14
- aggregate production function, behavioural relationship or accounting identity? 45–98
- accounting identity using constant-price value data 51–2
- capital theory 47, 78
- CES (constant elasticity of substitution) production function 59–60, 84–7
- Cobb–Douglas production function 49, 50–52, 75, 77, 78
- and competition 53, 59, 61, 63–4, 65, 88–9
- constant-price measures of output 49, 50, 51–2
- constant-price value data, use of 46, 51–2
- cross-section production functions, estimation problems 66–9
- equifinality theorem 82
- input–output approach 47–51
- marginal productivity theory of factor pricing 50, 53
- mark-up pricing policy example 51, 57, 81, 86
- micro-production function specified in physical terms 49–50
- neoclassical growth accounting and the identity 72–3, 78–9
- neoclassical growth accounting and the identity, and rate of technical progress 73
- neoclassical production function 47–52
- neoclassical theory of factor pricing 53
- simulation studies 56–9
- textile industry (Indian) illustration 91–8
- aggregate production function, behavioural relationship or accounting identity?, accounting identities, observed and virtual 63–6
- economic profits 63, 64–5
- National Income and Product Accounts (NIPA) identity 63–4, 65
- neoclassical cost identity 63–6
- value-added accounting identity 64–5, 92–4
- aggregate production function, behavioural relationship or accounting identity?, accounting identity and Cobb–Douglas production function 52–63
- accounting identity in index form 56–7
- Box–Cox transformation 60, 61, 90–91
- capital–labour ratio and statistical fit 55–7
- cross-section data 52–60, 61–2, 97–8
- factor shares constant 57–8
- income identity 53–4
- linear accounting identity, approximation to 54–6, 58–9
- time trend, non-linear 63
- time-series data 60–63, 81–2, 92–7
- translog production function 60, 61, 87–90
- UK total industry, selected macroeconomic variables (1990) 57–9
- aggregate production function, behavioural relationship or accounting identity?, cost functions and accounting identity 69–72
- Cobb–Douglas cost function example 69–70, 71–2
- production function with factor-

- augmenting technical change 71–2
 - translog cost function 71–2
- aggregate production function, behavioural relationship or accounting identity? misconceptions 73–80
- accounting identity is dual of production function 75
- aggregate production function, estimation and specification problems 76–7
- aggregate production function identification 76
- equilibrium condition of aggregate production function and linear accounting identity 75
- macroeconomic identities and aggregate production function 73–4
- production function estimation and significant increasing returns to scale 77
- total factor productivity (TFP) estimation tables by US Bureau of Labor Statistics (BLS) and OECD 77–8
- aggregate production function
 - criticisms, reasons for ignoring, and accounting identity implications 311–45
 - accounting identity critique, reasons for overlooking 316–19
 - accounting identity critique, Shaikh's Humbug production function and Solow's response 170–71, 175, 319–22
 - and Cambridge capital theory 314, 323
 - and Cobb–Douglas production function 314–15, 316, 317–18, 319–20, 321–2, 323–4, 325–7, 328–30
 - constant-price monetary values and accounting identity 315
 - cross-section data 317, 318, 319
 - instrumental defence of aggregate production function 314–16
 - inter-industry estimations of production functions, use of 316–17
 - time-series data 318, 329, 339
- aggregate production function
 - criticisms, reasons for ignoring, and accounting identity implications, Temple's misunderstandings and misinterpretations of critique 322–43
 - and Cobb–Douglas production function 323–4, 325–7, 328–30, 331–2, 335, 339–40
 - constant factor shares dependency 325–9, 332
 - and Diamond–McFadden impossibility theorem 326
 - econometric solution to implications of critique, lack of 338–9
 - economic rents and actual and virtual accounting identities 337–8
 - and elasticity of substitution 330, 333
 - growth econometrics without production functions 340–41
 - Lucas on aggregate production function with diminishing returns 341–3
 - Mankiw–Romer–Weil growth model as misspecified identity 329–33, 340
 - simulation results confirm importance of critique 339–40
 - Solow residual is definitionally weighted growth of factor inputs 334–5
 - total factor productivity (TFP) statistical controls for 326–7, 334–5, 336–7
 - value data use 323, 330–31, 339–40
 - value measures of capital (and output), disaggregation of 335–7
- aggregate production function,
 - problems with 3, 6, 21–44
 - aggregation over firms 26–7, 29–30
 - capital aggregation in production theory 25, 26–7, 29–30
 - capital–labour ratios 28, 32, 33, 35–9, 41

- Cobb–Douglas micro-production functions 24–5, 27–8, 29
 and competitive markets 28–9
 definition and importance of
 aggregate production function 22–31
 economic quantities, problems with 26–7
 input–output approach, limitations of 41–2
 and investment 26, 30, 43, 44
 Leontief’s theorem 24, 25–6, 29–30
 logical flaws, accusation of 34–5
 marginal products 26, 29–30, 33–4, 40
 marginal rates of substitution 25
 methodological differences 33–5
 micro-production functions 22–8
 problematic constructs, reasons for 23–4
 aggregate production function,
 problems with, Cambridge capital theory controversies 3–4, 5–6, 9, 21–2, 31–43, 77
 background 32
 capital measurement problem 32–4
 capital measurement problem, cost of production 33–4
 capital measurement problem, net present value 33–4
 logical versus historical time 42–3
 aggregate production function, problems with, Samuelson’s surrogate production function 35–42
 capital reversing 39, 40–41
 factor–price frontier or wage–profit rate frontier 35–8
 interest rates and reswitching 38–41
 one-sector aggregate production function 36–7
 aggregate supply–aggregate demand (AS/AD) model 9
 Aghion, P. 6, 207, 254
 Ahmad, S. 40
 AK (linear-in-K) model *see* capital growth role and externality effect in economic growth, linear-in-K (AK) model
 Alexander, W. 236, 237
 Allen, R. 40
 Andrews, W. 152
 Antras, P. 76
 Anyadike-Danes, M. 286, 302–6
 Arrow, K. 2, 7, 134, 159, 253, 314, 317
 Baldone, S. 40
 Barro, R. 6, 179, 208, 228–9, 340
 Basu, S. 269, 282–3, 335
 Bean, E. 303–4, 305
 behavioural relationship, aggregate production functions as *see* aggregate production function, behavioural relationship or accounting identity?
 Bernanke, B. 8
 Birner, J. 5, 32, 40
 Biswas, B. 236, 237
 Blaug, M. 138, 312, 315–16
 Blinder, A. 162
 Bliss, C. 32
 Bodkin, R. 174
 Box–Cox transformation, accounting identity and Cobb–Douglas production function 60, 61, 90–91
 Bresnahan, T. 268
 Briscoe, G. 188
 Brock, W. 221
 Bronfenbrenner, M. 76, 136, 151, 152, 316, 338
 Brown, M. 3, 4, 9, 22, 26, 148
 Burmeister, E. 3–4, 9, 40
 Caballero, R. 279–81
 Cambridge capital theory controversies
 accounting identity implications 314, 323
 and aggregate production function problems *see* aggregate production function, problems with, Cambridge capital theory controversies
 capital
 aggregation in production theory 25, 26–7, 29–30
 measurement problem, Cambridge capital theory controversies 32–4
 productivity, simulation studies 104, 106, 107–8

- rental price of capital 63–5, 290–92, 298, 300
- reversing, Samuelson's surrogate production function 39, 40–41
- share, simulation studies 102, 103, 109, 110–17, 122, 124–8, 129
- stock and labour force quality, links between 147–8
- theory 47, 78
- capital growth role and externality
 - effect in economic growth 252–65
 - capital accumulation 253
 - capital–labour ratio 253
 - Oulton and O'Mahony's two tests, capital's contribution to output growth, UK manufacturing 259–65
 - output elasticity 253–4, 258, 260, 263
- capital growth role and externality
 - effect in economic growth, linear-in-K (*AK*) model 252, 253
 - and output growth 256
 - and productivity growth 254–6
 - and Solow's growth model 254
 - Valdés's test of 253, 254–6
- capital growth role and externality
 - effect in economic growth, Romer's models 257–9
 - and accounting identity 258–9
 - and Cobb–Douglas production functions 257–8
 - production functions with elasticity of capital of unity 257–8
- capital–labour ratio
 - and accounting identity 162–4, 172, 178
 - aggregate production function, problems with 28, 32, 33, 35–9, 41
 - and statistical fit 55–7
- capital–output ratio
 - Solow and total factor productivity measurement 207, 332
 - and steady-rate growth 222–4, 227, 230–31
- Carr, J. 236
- Carter, S. 14, 313, 315
- CES (constant elasticity of substitution)
 - and aggregate production function criticisms, 330, 333
 - production function 59–60, 84–7
 - simulation experiments 116–19
- Christensen, L. 159
- Clark, J. 137–8, 143, 146–7, 154
- Clark, K. 290, 291, 292, 294, 298, 299
- Cobb–Douglas production function
 - 1–2, 10–11, 12, 13–15, 49, 50–52
 - and accounting identity *see*
 - aggregate production function, behavioural relationship or accounting identity?, accounting identity and Cobb–Douglas production function
- actual and steady-state levels of productivity, relationship between 197–8
- and aggregate production function
 - criticisms, reasons for ignoring, and accounting identity implications 314–15, 316, 317–18, 319–20, 321–2, 323–4, 325–7, 328–30
- and aggregate production
 - function criticisms, reasons for ignoring, and accounting identity implications, Temple's misunderstandings and misinterpretations of critique 323–4, 325–7, 328–30, 331–2, 335, 339–40
- aggregate production functions, behavioural relationship or accounting identity? 49, 50–52, 75, 77, 78
- cost function example 69–70, 71–2
- estimates, and accounting identity 165–7, 168, 169, 170–71, 172–4, 175–8, 183–4, 186–7, 189
- labour demand functions as statistical artefacts 285, 287–8, 289
- micro-production function 24–5, 27–8, 29
- and non-linear Goodwin model *see* simulation studies, aggregate production function and accounting identity, non-linear Goodwin model and Cobb–

- Douglas production function (Shaikh (2005))
- reasons for success of *see* simulation studies, aggregate production function and accounting identity, Cobb–Douglas production function, reasons for success of (Felipe and Holz (2001))
- simulation experiments 111–16, 118, 130–31
- technical change and accounting identity *see under* Solow's 'Technical Change and the Aggregate Production Function' paper, and accounting identity
- Cobb–Douglas production function, history of 133–59
 - accounting identity critique, first appearance of 152–4, 155–7
 - adding-up problem 138–9
 - aggregate production function, initial development and estimation 136–9
- American Economic Association 133, 134, 137
- capital stock and labour force quality, links between 147–8
- constant returns to scale 142, 145, 152, 154
- cross-section studies 150–52, 152–4, 155
- cross-section studies, capital–labour ratio variation, lack of 151–2
- early criticism of 135
- Euler's theorem 137
- factor inputs 134, 147, 157
- first reactions 139–42
- Frisch–Waugh theorem 149
- laws of production, understanding of 134, 138, 149
- manufacturing industry data 144–5, 146, 150
- multicollinearity problem 143–5, 150
- and neoclassical marginal productivity theory of distribution 137
- production function for Australia 151
- quantification justification 140–41
- Samuelson review 154–6
- statistical specifications as exact relationships, problems with 144
- technical change 141–2, 143, 147, 149, 155–6
- technical progress, absence of 146–9
- technical progress, absence of, time trend as solution 148–9
- time-series data, criticism of initial 142–9
- time-series results 135–6, 155–8
- Wicksteed contribution 138
- Cohen, A. 3, 5, 32, 37, 40, 42–3
- Collier, P. 341
- competition
 - and aggregate production function 53, 59, 61, 63–4, 65, 88–9
 - competitive markets, and aggregate production function, problems with 28–9
 - perfect competition, simulation studies 111
- constant-price measures 12–13, 46, 49, 50, 51–2
- Cornwall, J. 251
- cost functions and accounting identity *see* aggregate production function, behavioural relationship or accounting identity?, cost functions and accounting identity
- Cotis, J. 308
- Crafts, N. 264
- Cramer, J. 14, 152
- Cripps, T. 246
- cross-country
 - data, accounting identity problem 243–4
 - variation in income per capita 218
- cross-firm estimation of the production function, simulation studies 102, 103–6
- cross-section data
 - accounting identity and Cobb–Douglas production function 52–60, 61–2, 97–8
 - accounting identity implications 317, 318, 319
- Cobb–Douglas production function, history of 150–52, 152–4, 155

- production functions, estimation problems 66–9
- Cyert, R. 27
- Daly, P. 136
- Davidson, P. 285
- De Boer, W. 210
- De Marchi, N. 140
- Denison, E. 7, 159, 178–9, 210
- Diamond, P. 326
- Domowitz, I. 269, 270–71
- Douglas, P. *see* Cobb–Douglas production function
- Dow, S. 32
- Dowrick, S. 287
- dual-sector growth model *see* neoclassical dual-sector growth model, problems with
- Durand, D. 142
- Durlauf, S. 119, 192, 221
- Easterly, W. 191, 195, 219
- economic growth, externality effect
 - and capital growth role *see* capital growth role and externality effect in economic growth
- economic profits, accounting identities, observed and virtual 63, 64–5
- economic quantities, problems with 26–7
- Eden, B. 268
- education measurement, Solow and total factor productivity measurement 195–6
- elasticity
 - of employment, labour demand functions as statistical artefacts 286, 287–8, 289, 300
 - of substitution *see* CES (constant elasticity of substitution)
 - wage elasticity and error-correction methods 301–2
- employment rate
 - labour demand functions as statistical artefacts 284, 285, 286, 287, 288, 289, 300, 302, 303, 305, 309
 - simulation studies 127–8
 - see also* labour
- endogenous growth theory 3, 7–8, 11, 48
 - and accounting identity 160, 162
 - equifinality theorem, aggregate production function 82
- Estrin, S. 21
- Euler's theorem 12, 49, 65, 81, 114, 137, 202, 337
- evolutionary growth model, simulation studies *see* simulation studies, aggregate production function and accounting identity, evolutionary growth model of Nelson and Winter (1982)
- export sector
 - and GDP growth, relationship between 234–5, 236–41
 - and government output 247–50
 - see also* manufacturing industry
- Fabricant, S. 178
- factor–price frontier or wage–profit rate frontier 35–8
- Fagerberg, J. 203, 233
- Feder, G. 234–5, 236–42, 245
- Ferguson, C. 11, 40, 47, 48, 313
- Fernald, J. 282–3, 335
- Fisher, F. 4, 5, 6, 9, 10, 12, 21, 22, 23, 27, 29–31, 45, 46, 78, 79, 99, 100, 135, 224, 311, 312, 314, 315, 318, 319, 323, 336, 340
 - simulation studies *see* simulation studies, aggregate production function and accounting identity, Fisher's (1971b) simulation experiments
- Flux, A. 138
- Frankel, M. 7
- Freeman, R. 290, 291, 292, 294, 298, 299
- Friedman, M. 11, 48, 314
- Gallaway, L. 40
- Gandolfo, G. 41–2, 43
- Garegnani, P. 40, 41
- GDP
 - government expenditure growth, impact on GDP growth 235–6, 240, 241
 - growth and exports, relationship between 234–5, 236–41

- Giffen good in consumer theory 10, 41
- Gilbert, C. 140
- Godley, W. 286, 302–6
- Gomulka, S. 203
- Goodwin, R. 126–8
- Gorman, W. 26
- Griliches, Z. 7, 74, 162, 268, 290, 291, 337, 338
- Grossman, P. 236
- growth
 - capital growth role *see* capital growth role and externality effect in economic growth
 - dual-sector growth model *see* neoclassical dual-sector growth model, problems with
 - econometrics without production functions 340–41
 - economic growth, externality effect and capital growth role *see* capital growth role and externality effect in economic growth
 - endogenous growth theory *see* endogenous growth theory
 - evolutionary growth model, simulation studies *see* simulation studies, aggregate production function and accounting identity, evolutionary growth model of Nelson and Winter (1982)
 - and GDP *see* GDP
 - Mankiw–Romer–Weil growth model 221–8, 329–33, 340
 - neoclassical growth accounting 72–3, 78–9
 - steady-state growth rates 217, 220–21, 223, 224–5, 228–9
 - technology growth and exponential growth rates 165, 167
 - total factor productivity (TFP) growth and increasing returns to scale 108–9
- Gunn, G. 136, 150
- Haavelmo, T. 140
- Hacche, G. 6
- Hague, D. 34
- Hahn, F. 7
- Hall, R. 76, 192, 266, 267–79
- Hamermesh, D. 76, 284–5, 287
- Han, Z. 41, 42
- Handsaker, M. 136
- Hansen, L. 100, 129–30
- Harcourt, G. 3, 5–6, 22, 32, 33–4, 37, 40, 42–3, 135
- Hartley, J. 100, 129–30
- Heathfield, D. 131, 171
- Heston, A. 8, 221, 241
- Hildebrand, G. 11, 153, 317
- Hogan, W. 166, 167–9, 171
- Holz, C. 119–22, 126
- Hong, K. 210
- Hoover, K. 2, 314–15
- Houthakker, H. 100, 130–31
- Howitt, P. 6, 207, 254
- Hsieh, C.-T. 75, 76–7, 179, 290–91
- Hsing, M. 167
- Hulten, C. 9
- human capital
 - Solow and total factor productivity measurement 195–6, 202, 207, 210–12
- Humbug production function (Shaikh) 170–71, 175, 319–22
- income, per capita 191–3, 194, 196, 199, 201, 203, 204
- India, textile industry illustration 91–8
- innovation process 123, 207
- input–output approach 47–51
 - limitations of 41–2
- interest rates and reswitching 38–41
- Intriligator, M. 14, 54, 152, 317
- Islam, N. 192, 214, 216, 219, 227
- Johnson, P. 192
- Jones, C. 6, 191, 192, 195, 196, 197–205
- Jones, H. 6, 38
- Jorgenson, D. 7, 60, 64, 74, 192, 217, 219, 290, 291, 337
- Kaldor, N. 6, 7, 8, 13, 33–4, 57, 156, 180, 207, 222, 224, 251, 330
- Kang, H. 119–20, 121
- Kennedy, C. 7
- Kenny, C. 191, 232, 341
- Keynes, J. 140

- Kincaid, H. 78–9, 314
 Klein, L. 24–5, 174
 Klenow, P. 76–7, 214
 knowledge measurement, Steedman's
 critique of 207–8
 Knowles, S. 226
 Kohli, I. 236
 Krugman, P. 161
 Kuhn, T. 2, 7, 20, 196, 314–15
- labour
 capital–labour ratios 28, 32, 33,
 35–9, 41
 productivity and capital–labour ratio
 relationship 162–4
 productivity, simulation studies
 107–8, 127–8
 share, simulation studies 102, 107,
 115, 120
 share in value added estimate 137,
 147–8
see also employment rate;
 unemployment rate
- labour demand functions as statistical
 artefacts 9, 284–310
 Anyadike-Danes and Godley
 critique 302–6
 Cobb–Douglas production function
 285, 287–8, 289
 elasticity of employment 286, 287–8,
 289, 300
 employment rate 284, 285, 286, 287,
 288, 289, 300, 302, 303, 305, 309
 estimation and accounting identity
 292–5
 marginal profit rate 286, 290–92,
 295, 298, 305
 NAIRU model 308–10
 neoclassical theory of demand for
 labour 287–9
 neoclassical theory of demand for
 labour, holding capital stock
 constant 289, 294, 300
 neoclassical theory of demand for
 labour, holding output constant
 287–8
 real wage rate 284, 285, 286, 288,
 289, 295, 300, 302, 303, 305, 308
 and rental price of capital 290–92,
 298, 300
 revenue product curve 301–2
 unemployment rate 284, 285, 308–9,
 310
 wage elasticity and error-correction
 methods 301–2
- labour demand functions as statistical
 artefacts, empirical results
 295–300
 labour demand function for US
 manufacturing 295–9, 305
 lags, effects of introduction of
 299–300
 OLS long-run estimates 297–8
 time trend 296–7, 298–300
 wage rate trend 295, 303, 305,
 308–10
- Laidler, D. 21
 Landau, D. 235
 Landes, D. 20
 Lavoie, M. 284, 286, 308–10
 Lawson, T. 20
 Layard, R. 286, 289, 308
 Lazzarini, A. 32, 38
 Lee, F. 13
 Lee, J.-W. 210
 Leibenstein, H. 4, 22, 27, 47–8
 Leontief, W. 24, 25–6, 29–30
 Leser, C. 149
 less developed countries (LDCs),
 neoclassical dual-sector growth
 model, problems with 235, 237,
 239, 240, 241, 242
 Levhari, D. 39–40
 Levine, H. 167
 Levine, R. 219, 341
 Levinsohn, J. 338
 Levy, F. 14, 54, 135, 152, 170, 317, 329
 Lewis, P. 285, 287, 288, 292, 300, 301–2
 linear-in-K (*AK*) model *see* capital
 growth role and externality effect
 in economic growth, linear-in-K
 (*AK*) model
 Liu, T. 11, 153, 317
 Lucas, R. 62, 174, 196, 341–3
 Lutz, F. 34
 Lyons, R. 279–81
- MacDonald, G. 285, 287, 288, 292,
 300, 301–2
 macroeconomic identities and

- aggregate production function 73–4
- Maddison, A. 5, 6, 222, 258
- Mainwaring, L. 40
- Mairesse, J. 338
- Mankiw, N. 2, 5, 8, 59, 76, 160, 191, 192, 195, 203, 325, 329–33
- Mankiw–Romer–Weil (MRW) test of neoclassical growth model
 - capital–output ratio and steady-state growth 222–4, 227, 230–31
- Cobb–Douglas production function and constant shares 224–5
- common technology across countries, relaxing assumption of, and total factor productivity (TFP) 219–21
- constant shares assumption 223, 224–6, 227
- convergence regression and speed of convergence 228–31, 232–3
- cross-country variation in income per capita 218
- developing and developed countries sharing common production function 217
- endogenous and semi-endogenous growth models 214
- and human capital 218, 226–7
- income accounting identity approximation 226
- observational equivalence problems 225
- steady-state growth rates 217, 220–21, 223, 224–5, 228–9
- technology gap 233
- Solow’s growth model and MRW specification 215–19, 227–8, 231–2
- total factor productivity (TFP) growth 217
- manufacturing industry
 - capital’s contribution to output growth, UK 259–65
 - data, and Cobb–Douglas production function, history of 144–5, 146, 150
 - data, Solow’s ‘Technical Change and the Aggregate Production Function’ paper, and accounting identity 174
 - neoclassical dual-sector growth model, problems with 237, 245, 246
 - textile industry (Indian) illustration 91–8
 - US labour demand function 295–9, 305
 - US manufacturing industry production functions 263–5, 280–81
 - see also* export sector
- March, J. 27
- mark-up
 - estimation *see* accounting identity
 - for estimation of degree of market power and mark-up, problems with pricing policy example 51, 57, 81, 86
 - market power estimation *see* accounting identity for estimation of degree of market power and mark-up, problems with
- Marshak, J. 152
- Massell, B. 167
- Matthews, R. 7, 162
- May, K. 24, 311
- Meier, G. 192
- Mendershausen, H. 135, 141, 142, 143–4, 145, 146, 148
- Metcalfe, J. 208
- Michl, T. 285
- micro-production functions 22–8, 49–50
- mining sector, neoclassical dual-sector growth model, problems with 244, 246
- Morgan, M. 140, 144
- Moroney, J. 11, 153
- multicollinearity
 - problem, Cobb–Douglas production function, history of 143–5, 150
 - simulation studies 102, 106, 120
- Nadiri, I. 6
- NAIRU model, labour demand functions as statistical artefacts 308–10
- Nataf, A. 24, 311

- National Income and Product
 Accounts (NIPA) identity 63–4, 65
 Neiman, B. 335
 Nelson, C. 119–20, 121
 Nelson, R. 100, 122–6, 180, 340
 neoclassical
 cost identity 63–6
 growth accounting 72–3, 78–9
 growth model, Solow and
 total factor productivity
 measurement, actual
 and steady-state levels of
 productivity, relationship
 between 196–7, 199
 growth theory 2–3, 6–7, 8
 marginal productivity theory of
 distribution 137
 production function 47–52
 theory of demand for labour 287–9
 theory of factor pricing 53
 theory total costs 70–71
 neoclassical dual-sector growth model,
 problems with 234–51
 accounting identity problem 242–5
 accounting identity problem, using
 cross-country data 243–4
 advanced countries 240, 246, 247,
 248, 249
 agriculture sector 244, 245, 246
 balance-of-payments constraint 234
 commerce sector 245, 246
 export sector 234–5, 236–41
 GDP growth and exports,
 relationship between 234–5,
 236–41
 government expenditure growth,
 impact on GDP 235–6, 240,
 241
 less developed countries (LDCs) 235,
 237, 239, 240, 241, 242
 manufacturing sector 237, 245, 246
 mining sector 244, 246
 non-export sector 235, 238, 241
 public utilities 246
 neoclassical dual-sector growth model,
 problems with, externalities and
 sectoral output identity 242–50
 commerce sector 245, 246
 government output and exports
 247–50
 three-sector model 247–50
 two-sector model 237, 245–6
 neoclassical dual-sector growth model,
 problems with, Feder's model
 236–42, 245
 capital input growth measurement
 problems 239–41
 data quality problems 239
 externality elasticity 238
 marginal productivities differential
 238
 reduced-form equation 237–8
 two-sector model 237, 245–6
 NIPA (National Income and Product
 Accounts) identity 63–4,
 65
 Nonneman, W. 226–7
 Norrbin, S. 269, 270–71
 O'Connell, S. 341
 OECD
 total factor productivity (TFP)
 estimation tables 77–8
 Oi, W. 187
 Olley, S. 338
 O'Mahony, M. 19, 210, 252, 253–4,
 259–65
 Oulton, N. 19, 252, 253–4, 259–65
 Owen, P. 226
 Pakes, A. 338
 Parente, S. 192, 209, 217, 219
 Pasinetti, L. 8, 42
 Pertz, K. 40
 Pesaran, M. 301
 Petri, F. 41
 Petrin, A. 338
 Phelps Brown, E. 11, 12, 14, 52–3, 60,
 76, 77, 135, 146, 149, 152, 153,
 158–9, 161, 170, 174, 315–16, 317,
 319
 Phillips, P. 119
 Pigou, A. 137
 Prescott, E. 191, 192, 193, 194, 196,
 209, 217, 219
 Pritchett, L. 192
 production function
 and accounting identity for
 estimation of degree of market
 power and mark-up 267–8

- and accounting identity, growth
 - accounting 179–80, 181–4
 - with factor-augmenting technical change 71–2
 - perfect fit, obtaining 186–9
 - and real business-cycle model 129–30
- production laws, understanding of 134, 138, 149
- productivity
 - and capital–output ratio, relationship between 193–4
 - growth, and accounting identity 162, 187
- profit rate 128, 286, 290–92, 295, 298, 305
- R&D sector 123, 207
- Ram, R. 235–6, 237, 239, 240, 241–2, 245
- Rao, V. 236, 239, 240, 241–2
- Rashid, S. 232
- Rebelo, S. 254
- Reder, M. 152
- Renelt, D. 341
- rental price of capital 63–5, 290–92, 298, 300
- reswitching and interest rates 38–41
- Ricardo, D. 32
- Robinson, J. 6, 8, 11, 21, 23, 32–4, 133, 311
- Rodriguez-Clare, A. 214
- Romer, P. 7–8, 59, 193, 194–5, 253, 254, 256, 329–33
 - capital growth role *see* capital growth role and externality effect in economic growth, Romer’s models
 - neoclassical growth model *see* Mankiw–Romer–Weil (MRW) test of neoclassical growth model
- Rowthorn, R. 287, 289
- Sala-i-Martin, X. 6, 208, 228–9
- Salter, W. 262
- Salvadori, N. 40
- Samuelson, P. 35–42, 135, 137, 138, 139, 141–2, 143, 154–6, 314, 345
 - surrogate production function *see* aggregate production function, problems with, Samuelson’s surrogate production function
- Sandelin, B. 138
- Sargent, T. 100, 129–30
- Sato, K. 40
- savings (investment) ratios, disparities in 192–5
- Scazzieri, R. 32
- Schefold, B. 41, 42
- Schumpeter, J. 143, 254
- Scott, M. 239–40
- Sen, A. 34
- Shaikh, A. 11, 14, 18, 60, 63, 100, 111, 113, 126–8, 135, 159, 161, 175–6, 181–3, 285, 316, 318, 340
 - Humbug production function 170–71, 175, 319–22
- Sheehy, E. 234, 239, 245
- Shukla, V. 40
- Simon, H. 14, 54, 55–6, 59, 60, 135, 152, 161, 170, 315, 317, 318, 327, 329, 332
- Simon, J. 207
- simulation studies, aggregate
 - production function and accounting identity 99–132
 - capital productivity 104, 106, 107–8
 - capital’s share of output 102, 103, 109, 110–17, 122, 124–8, 129
 - Cobb–Douglas production function, compatibility with fixed coefficients micro-production function (Houthakker (1955–56)) 100, 130–31
 - Hansen–Sargent model 100, 129–30
 - Labour’s share of output 102, 107, 115, 120
 - Pareto distribution 130–31
 - production function and real business-cycle model (Hartley (2000)) 129–30
- simulation studies, aggregate
 - production function and accounting identity, accounting identity problems 101–11
 - cross-firm estimation of the production function 102, 103–6
 - increasing returns to scale 103, 108–9

- increasing returns to scale and total factor productivity growth 108–9
- labour productivity 107–8
- multicollinearity 102, 106
- physical data use 101, 102, 103, 104, 105, 106–9, 110–11
- technical progress rate and growth of total factor productivity 102, 111
- technological progress rate and total factor productivity growth 106–8, 110–11
- Temple's (2010) misunderstanding 109–10
- total factor productivity growth and increasing returns to scale 108–9
- value data, problems with use of 103
- simulation studies, aggregate
 - production function and accounting identity, Cobb–Douglas production function, reasons for success of (Felipe and Holz (2001)) 119–22, 126
 - difference stationary processes 119, 121
 - Monte Carlo simulations 120–21
 - multicollinearity 120
 - poor statistical results, occasions for 122
 - spuriousness to explain fit 119–21
 - spuriousness to explain fit, Durbin–Watson statistic 121
 - spuriousness to explain fit, independent random walks 120, 121
 - spuriousness to explain fit, trend stationary processes 121
 - trend stationary processes 119, 121
- simulation studies, aggregate
 - production function and accounting identity, evolutionary growth model of Nelson and Winter (1982) 122–6
- Cobb–Douglas regressions with time trend 125–6
- compatibility with historical records 122–3, 124–5
- fixed-coefficient techniques 123–4
- imitation process 123
- innovation process 123
- wage rate 124
- simulation studies, aggregate
 - production function and accounting identity, Fisher's (1971b) simulation experiments 111–19
 - capital index 114
 - CES simulation experiments 116–19
 - Cobb–Douglas production function, simulating aggregate 111–16, 118
 - non-linear least squares 117
 - perfect competition 111
 - wages prediction 113–16, 118
- simulation studies, aggregate
 - production function and accounting identity, non-linear Goodwin model and Cobb–Douglas production function (Shaikh (2005)) 126–8
 - employment ratio 127–8
 - labour productivity 127–8
 - profit rate growth 128
 - wage rate growth, real 127–8
- Singh, N. 236
- Solow, R. 2–15 *passim*, 18, 24, 25–6, 29–30, 45, 51, 52, 72, 73, 74, 79, 80, 99, 100, 116, 122–30 *passim*, 141, 146, 155–6, 159, 213, 214, 253, 254, 294, 311–22 *passim*, 332
- Solow residual 276–9, 334–5
- Solow and total factor productivity measurement 191–212
 - accounting identity 205–7
 - capital–output ratio 207, 332
 - education measurement 195–6
 - human capital effect 195–6, 207, 210–12
- income gap 203, 204
- knowledge measurement, Steedman's critique of 207–8
- per capita income 191–3, 194, 196, 199, 201, 204
- physical capital 195, 207
- population growth 199
- productivity and capital–output ratio, relationship between 193–4
- R&D sector 207

- savings (investment) ratios,
 - disparities in 192–5
- skilled workers 210, 211
- total factor productivity theory,
 - argument for 208–9
- unskilled workers 210, 211, 212
- Solow and total factor productivity
 - measurement, actual and steady-state levels of productivity, relationship between 196–205, 207
 - and Cobb–Douglas function 197–8
 - human capital effect 202
 - neoclassical growth model 196–7, 199
 - technical progress rate, varying 202–5
 - technical progress rate, varying, and Cobb–Douglas production function 202
 - technical progress rate, varying, and Euler’s theorem 202
 - technical progress rate, varying, and income gap 204
 - technology differences 196–8
 - technology differs between countries 200–202
 - technology level assumed to be constant across countries 199–200
- Solow’s growth model, *see* Mankiw–Romer–Weil (MRW) test of neoclassical growth model, Solow’s growth model and MRW specification
- Solow’s ‘Technical Change and the Aggregate Production Function’ paper, and accounting identity 160–90
 - capacity utilisation 168, 172, 187–9
 - capital stock figures example 168–9
 - capital–labour ratio 162–4, 172, 178
 - Cobb–Douglas production function estimates 165–7, 168, 169, 170–71, 172–4, 175–8, 183–4, 186–7, 189
 - Cobb–Douglas production function and variation in factor shares 176–8
 - and endogenous growth theory 160, 162
 - growth theory, second thoughts on (1987) 181–4
 - Hicks-neutral technical change 162–3
 - Hogan’s critique (1958) and Solow’s tautology 167–9, 171
 - labour productivity and capital–labour ratio relationship 162–4
 - output and capital, physical and value measures 184–6
 - output and capital, physical and value measures, physical output data and constant-price value data, difference between 185–6
 - production function perfect fit, obtaining 186–9
 - productivity growth 162, 187
 - and real business-cycle model 160, 187
 - Shaikh’s critique 170–71, 175–6, 181–3
 - Shaikh’s critique, Humbug dataset, artificial 170–71, 175
 - Solow residual 160–61, 162, 179, 189
 - Solow’s (1974) rejoinder to Shaikh 171
 - testing aggregate production function with real data 172–5
 - time-series data criticism (Shaikh) 170
 - wage rates 174–5, 187
- Solow’s ‘Technical Change and the Aggregate Production Function’ paper, and accounting identity, growth accounting 178–84
 - and accounting identity 179
 - economic growth accounting sources quantification 178
 - and production function 179–80, 181–4
 - and technical change 180–84
- Sraffa, P. 10, 33, 34
- Srinivasan, T. 221
- steady-state growth rates 217, 220–21, 223, 224–5, 228–9
- Steedman, I. 40, 207–8
- Stiglitz, J. 33, 34, 313
- Summers, R. 8, 221, 241
- Swan, T. 18, 160, 162
- Sylos Labini, P. 5, 62

- Tarling, R. 246
- Tatom, J. 174, 187
- technical change
 and accounting identity, growth accounting 180–84
 and aggregate production function *see* Solow's 'Technical Change and the Aggregate Production Function' paper, and accounting identity
 Cobb–Douglas production function 141–2, 143, 147, 149, 155–6
 substitution and labour levels 25
- technical progress
 absence of, Cobb–Douglas production function 146–9
 and growth of total factor productivity, simulation studies 102, 111
 Hall's estimation procedure 272, 275
 rate, varying, actual and steady-state levels of productivity, relationship between 202–5
- technology gap
 actual and steady-state levels of productivity, relationship between 196–200
 technology growth and exponential growth rates 165, 167
- Temple, J. 6–7, 15, 17, 20, 46, 74, 76, 79–80, 82, 109–10, 215, 227, 311, 317
 aggregate production function criticisms *see* aggregate production function criticisms, reasons for ignoring, and accounting identity implications, Temple's misunderstandings and misinterpretations of critique
- textile industry (Indian) illustration 91–8
- Thirlwall, A. 7, 213, 234, 251, 285
- Thomas, R. 66–7, 76
- time factors, logical versus historical time 42–3
- time trend
 labour demand functions as statistical artefacts 296–7, 298–300
 non-linear 63
- time-series data
 accounting identity and Cobb–Douglas production function 60–63, 81–2, 92–7
 accounting identity implications 318, 329, 339
 aggregate production function criticisms, reasons for ignoring, and accounting identity implications 318, 329, 339
 criticism of initial, Cobb–Douglas production function 142–9
 results, Cobb–Douglas production function, history of 135–6, 155–8
- time-series data criticism (Shaikh), Solow's 'Technical Change and the Aggregate Production Function' paper, and accounting identity 170
- Tinbergen, J. 140, 148
- Toniolo, G. 264
- total factor productivity (TFP)
 control, and accounting identity implications 326–7, 334–5, 336–7
 estimation tables by US Bureau of Labor Statistics (BLS) and OECD 77–8
 growth and increasing returns to scale 108–9
 measurement, and Solow *see* Solow and total factor productivity measurement
 theory, argument for 208–9
- translog cost function 71–2
- translog production function 1, 2, 60, 61, 87–90
- UK
 manufacturing, capital's contribution to output growth 259–65
 total industry, selected macroeconomic variables (1990) 57–9
- unemployment rate 284, 285, 308–9, 310
see also labour

US

- American Economic Association
133, 134, 137
- Bureau of Labor Statistics (BLS),
total factor productivity (TFP)
estimation tables 77–8
- manufacturing, labour demand
function 295–9, 305
- Solow and total factor productivity
measurement 195, 200–202,
204–7
- Valdés, B. 7, 225, 253, 254–6
- value-added accounting identity 64–5,
92–4
- Vanhoudt, P. 226–7
- Verdoorn law 10–11
- Von Thünen, J. 137–8
- Von Weizsacker, C. 33
- wage rates
 - elasticity and error-correction
methods 301–2
 - factor–price frontier or wage–profit
rate frontier 35–8
 - prediction, simulation studies
113–16, 118
 - real wage rate, labour demand
functions as statistical artefacts
284, 285, 286, 288, 289, 295,
300, 302, 303, 305, 308
 - simulation studies 113–16, 118, 124,
127–8
- Solow’s ‘Technical Change and the
Aggregate Production Function’
paper, and accounting identity
174–5, 187
- trend, labour demand functions as
statistical artefacts 295, 303,
305, 308–10
- variation, accounting identity
implications 330–31
- Waldman, R. 269, 270
- Wall, B. 149
- Wallis, K. 14, 66, 317–18
- Walters, A. 9, 24, 311–12, 316–17
- Wan, H. 6, 11, 314
- Weil, D. 6, 59, 329–33
 - neoclassical growth model *see*
Mankiw–Romer–Weil (MRW)
 - test of neoclassical growth model
- Wells, G. 287
- Whiteman, J. 71–2
- Wibe, S. 12, 131, 171
- Wicksell, K. 32, 41, 138–9
- Wicksteed, P. 138
- Wilcox, S. 139
- Williams, D. 191, 232, 341
- Wilson, D. 29–30
- Winter, S. 100, 122–6, 340
- Wößmann, L. 335
- Young, A. 160, 279
- Zambelli, S. 40
- Zellner, A. 144

