Introduction to the symposium

Autonomous demand, capacity utilization, and the supermultiplier

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In the Sraffian supermultiplier model proposed by Serrano (1995) the trend rate of growth of the economy is driven by the expansion of the autonomous components of demand, a change in the wage share has a positive level effect, private-sector capacity creating investment is induced by the principle of capital stock adjustment, and the degree of capacity utilization tends to converge slowly to its exogenous normal or planned level.

During the 20 years after the publication of Serrano's seminal work in 1995, the debate about the supermultiplier model was mostly circumscribed to those within the Sraffian tradition. Only in recent times has the discussion about the model begun to evolve a much broader and larger group of scholars, with the publication of a Neo-Kaleckian version of the model by Allain (2015) and Lavoie (2014; 2016), and the discussion of the dynamic stability of the steady state of the Sraffian supermultiplier model by Freitas and Serrano (2015). The latter article was published in a symposium in the *Review of Political Economy* (see Cesaratto and Mongiovi 2015 for an introduction) on the theoretical foundations of demand-led growth models and the importance of autonomous demand from the Modern Classical Surplus Approach (or Sraffian) perspective and its relation to the pioneering work of Pierangelo Garegnani (see Garegnani 1962 [2015]). More recently, the journal *Metroeconomica* (see Kurz and Salvadori 2019 for an introduction) organized a related symposium devoted to the debates on autonomous demand, capital utilization, and economic growth, and, with some emphasis, to theoretical debates about the supermultiplier model by leading heterodox (including some Post-Keynesian) economists.

The present symposium on 'Autonomous demand, capacity utilization, and the supermultiplier' – differently from dealing with theoretical issues at the higher levels of abstraction which has naturally generally prevailed in discussions on this subject over the past 25 years – shifts the focus of the discussion of the Sraffian supermultiplier model to issues concerning its empirical relevance and the implications of the model for economic policy. The papers which compose the symposium reflect the general view of part of the group of researchers gathered at the Rio de Janeiro's 1st International Workshop on Demand-Led Growth held in July 2018, who consider that the soundness of this theoretical approach is best demonstrated by constructing policy-relevant theoretical and applied analyses that ultimately can help us to understand the concrete performance and problems of both advanced and developing economies.

The themes of the seven papers of the present symposium are interrelated and cover the current debates on demand-led growth models and its implications for the analysis of economic reality. It is possible to separate them into three groups, according to their subjects and methods. The papers of the first group are theoretical extensions of the supermultiplier model and discuss some of its implications for economic policy. The relations between both the rate of growth and the composition of autonomous

demand, as well as of changes in income distribution and the dynamics of public debt, are discussed by Freitas and Christianes. This paper is followed by an explicit stock–flow consistent version of the model, which is used to deal with the question of the evolution of autonomous consumption by wage earners and the sustainability of their debt-to-income ratios, by Mandarino, Dos Santos, and Macedo e Silva. Finally, the paper by Serrano, Summa, and Garrido uses a simple version of the Sraffian super-multiplier model as a tool to compare and contrast a Sraffian perspective with the recent ‘amended’ New Consensus model, both the financial wedge and secular stagnation type of low interest rates, and their implications for monetary and fiscal policy.

The second group of papers evaluates critically the recent proposals, made by some Neo-Kaleckian authors, to render the normal degree of capacity utilization both endogenous and related to the actual or realized degree of utilization and the rate of growth of demand. Fiebigler presents a conceptual and empirical analysis in which he focuses his criticism on the approach that proposes to define capacity utilization in terms of the average workweek of capital. Next, Haluska offers a theoretical critique of these Neo-Kaleckian proposals of endogenous normal utilization from a Sraffian standpoint.

The final group contains two econometric papers. The first, by Girardi and Pariboni, discusses some empirical evidence in favor of the supermultiplier model by showing the relations between the growth rates of autonomous demand and the business sector investment share for the OECD economies. The second, by Braga, tests the relation between the rate of growth of demand (and of Garegnani’s 1962 [2015] notion of ‘final demand’) and business investment in the Brazilian economy.

We hope that this symposium, by presenting empirical and policy-oriented analyses, can both contribute to the further development of the research agenda on demand-led growth and intensify a constructive and policy-relevant debate among the various strands of critical economic thought.

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