

# Guidance and Wisdom in the Work of the Economists, Nicholas Kaldor and Howard Richards

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## Abstract

Three central facts are shared, in variation, by all three actors in the relationship of an economist as a guide through the maze that is the modern world; the guide is, for the author of this paper, best expressed by Kaldor and a direct beneficiary of his model of economics wisdom. First, Nicholas Kaldor is the British, European and global participant in economics who becomes (a) the micro-economic analyst of the current economics, (b) a scholar and key exponent of the post-Keynesian economics, (c) an international observer and participant, and (d) an analyst and leading theorist of the global macroeconomics; as such, he influences the analysis of global economic policy.

As a successor to Kaldor's work, Howard Richards becomes engaged in the economics of California and local Southern California issues of farm labor rights and immigration; today, he applies his growing body of knowledge in South America and Africa: the *global South*, which is the epicenter of the economic disaster of the modern era. Howard's participation and organizing is based in part on the model of his guide, Professor Kaldor, his associates, forerunner and successors. My realization as participant in the local mini-microeconomics in relation to the macro global economy becomes apparent and significant via my author guide.

(2) Kaldor is an innovative theorist whose visionary macro-view and meticulous attention to all economic factors and actors becomes a model that is guide-like in its value. The innovative approach to economics by Howard Richards reflects the theories of Kaldor. My innovative presentation of Professor Richards' work is in due diligence to the interpretation and approach of my guide in relation to Kaldor's economic theories.

(3) Kaldor is a model of a courageous independent theorist, who collaborated well with his adversaries, colleagues and generations of coworkers. Acquired from Nicholas Kaldor as a guide, Howard Richards exercises the hard test of economics that is *radical*

*empiricism*; he shares his personal quest with peers to achieve a higher pragmatism of purpose, which is the absolute abolition of poverty, unemployment and illiteracy. Through my direct guide, Howard Richards, I realize how economics is central in the real world in addition to the world that is human culture.

#### Economic Guidance in the Work of Nicholas Kaldor and Howard Richards

The economists Nicholas Kaldor and the IPRA author Howard Richards are chief initiators of the innovative paradigm of economic ideals and practice. In my work and association with them, their work improves as it transforms my view the world. Therefore, they serve as guides of a constant guidance in how I see, approach, and interact with others and in every aspect of social structure. Through their example, I act upon the fact that my intellect is unattached to class, nationality, generation and any creed other than economics as ethics. The worldview and focus of intellect that Kaldor and Richards practice is based upon the economic and ecological element of which all life partakes. I now can evaluate, create, choose and change my worldview through values, ideals and theories placed into precise explanations, valid premises and sound arguments.

Nicholas Kaldor was born 1908 into the professional class in Hungary in the last decade of the Austro-Hungarian Empire. He became a prominent Cambridge economist leading the post-Keynesian movement in the 20<sup>th</sup> century. In contrast, Howard Richards, who is my direct economics guide, has economic roots in a childhood of poverty, though he is now part of the professional class. I share Howard's economic roots of poverty plus compulsory child labor, even though my father was, early in his adult life, among the classes of professionals and entrepreneurs. By way of the life experience of both my guides, I realize that my economic roots and experience do not have to determine my worldview in the preset ideology of my parents and community. I can now take action and interact more freely through the diversity of my guides.

Kaldor's work reflects the ideals of economics via his guide, J. M. Keynes. Keynes develops his *general theory of economics* in the midst of and due to the Great Depression and the excesses of capitalism leading up to it. His theory is the *Keynesian economics* that guides the post-depression world into a brief period of unparalleled economic stability, security and equity. Nevertheless, the economic course that Keynes set and the post-Keynesians resume, led by Kaldor, faces fierce intellectual resistance by the ideologues of neoclassical (neoliberal) theory and policy enforcement. It forms the backdrop for the current era of public private partnership, which manifest in corruption and unethical policy. The disastrous consequence of this anti-Constitutional pact is the extreme polarization of wealth and political power. The cost of a polarized world is the volatility of constant economic and ecological crises, with often dire consequences largely for the poor: the working and unemployed super-majority (Howard Richards, *Understanding the Global Economy*, 2004, p.62).

The anti-Keynesian campaign is led by the neoclassical (classical revisionist) economist Milton Friedman, the monetarist supply-side crusader who is an advisor to Reagan and Thatcher in the 1980s (Nicholas Kaldor, *The Scourge of Monetarism*. 1). Decades earlier, the *laissez faire* free-market theorists of the Austrian School of Economics form an elaborate doctrine against the Keynesian economics. However, they openly support the Keynesian economics as the urgent prescription for the global depression. In the diverse academic environs of Kaldor's Cambridge and the London School of Economics (LSE) the debate and struggle of economic ideology runs fierce with pitched battles over policy influence in the halls of government (Anthony Thirlwall, *Nicholas Kaldor*, 1987, p. 12. 1).

Kaldor has his roots in the professional class and an acquired position in the elite class of academia. Nevertheless, he must work hard to effectively advocate his progressive convictions, which includes his London community through his tireless letter-writing to the *Times of London* about local issues of political economy (Ibid. p. 19. 2). He

breaks ranks with the likelihood that his affinity will be with the status quo of neoclassical theory. His position is one of dissent from the ruling power of the owner class; he is in favor of the welfare of the 9%, i.e. the masses of the working class. In theory, his position that claims, that the achievement of its objective will also achieve the growth and progress vital for a thriving science and industry. Ultimately, the post-Keynesian economics creates a climate of finance and trade that is at once stable in its growth at a sustainable rate, tempered by its equitable treatment of all economic actors. Likewise, my direct guide Howard uses his position of professional status as a tool for progressive and structural change. Granted, this fact is becoming more familiar: the prosperous professional as an intellectual who volunteers in the role of the pro-active arbitrator for the rights, equity and opportunity of workers and the poor. Howard's early work in helping form the UFW with César Chavez in the 1960's, alone, shows me that his writing reflects his actual work.

Thus, I emulate my firsthand experience with my guide's sincere expression of care and human action. What's more, it now takes the form of an abstract guide as the feminist mantra: the *ethics of care* guiding my existence. The tireless work of Kaldor and Richards—their ability to speak by way of their esteemed positions freely into the face of power—shows me the influence of speech and convictions in our institutions, in the social structure of culture. My previous tacit respect for and grasp of economics now takes tangible form; through both my guides I now see that economics stitches together the entire fabric of our human culture; it is the web of interdependent ecology that unifies all life. More knowledge encourages me to participate.

In his wisdom, Kaldor as economic guide acknowledges the sincere values held by the advocates of neoclassical economics; he objects, however, to the absurd theories they hold in their vain effort to achieve the necessary objective for humankind. Richards, as a guide, recognizes that the ethics of the neoclassical economics are the same as the ethics of the Keynesian, the post-Keynesian and the neo-Keynesian economics.

Richards sees, as his guide Kaldor before him, that both economic approaches have the same principles toward the same objective. Both realize the competitive temperament in the persons who advocate an ideology; they realize that the —my side must win— position prevents the frail human mentality from accepting what is obvious (Richards, *Understanding the Global Economy*, p. 68. 2). It is at once the pathetic and pathological part of human nature: the power of control over others as the means and the end.

From my understanding by way of the explanations my guides present, I deduce that the class of owners can choose the more stable economic road; they can do this by giving up certain aspects of their economic role to an efficient collective enterprise of meeting the un-met needs. By investing in this, the class of owners will have a net gain in their capacity to achieve the goals of trade. Both the guides show me how to express that our interests, values and objective are the same. By choosing the right theory and its practice—all economic actors, planet Earth included, can have the “cake” of growth with success and security and “eat” the fulfillment of it, too. So, I now realize that wrong theories —not necessarily the malice and/or folly of greed based on fear and ignorance— prevent right action in the behavior of the ideologues of the neoclassical (neoliberal) advocacy. In the sense of that example, my guide shows me that I can grasp the complexities of economics, at least in the general sense. Both guides, Kaldor the voice in the wilderness of neoclassical fervor and Richards, an enlightened educator with an earned doctorate in the field, clarify the centrality of economics: how it weaves the interaction of interdependence through the world and planet Earth (Kaldor, *Essays on Value and Distribution*. 1980. 1).

The theoretical basis of the post-Keynesian economics, which Kaldor advocates in his analysis of economy, is the principle of *effective demand* (Thirlwall, *Nicholas Kaldor*, p. 24. 3). He recognizes that demand matters in the long as well as the short run. As a result, a competitive capitalist market economy has no natural or automatic

tendency towards full employment.

Kaldor and those who added to his work, which includes my direct guide, hold their ground on the principles of sound theory, explanation and prescription; they do not wobble, which is seen in Kaldor's pitched academic debates in Cambridge and his constant addresses worldwide. From this model of intellectual integrity in favor of principle, I now am able to hold my ground in the face of the constant criticism about: 1) the equitable redistribution of wealth, 2) the false charge that government cannot be efficient and principled, 3) the imperative for an unrestrained economic growth and profit, and 4) the neoliberal excesses of the ethics of liberty, property, autonomy and contract.

Kaldor understood well the value of building on the extant and dormant theories that abound in and through the history of economics; he acted upon that academic ideal. Kaldor and a few others break the ground for a robust post-Keynesian "garden plot" of economics. The plot highlights the theory of *circular and cumulative causation* (CCC), which Kaldor develops in 1947 within the United Nations Economic Commission for Europe (UNECE); he works on it in tandem with the 1974 Nobel Prize winning economist Gunnar Myrdal: co-recipient of the prize with Friedrich von Hayek: a neoliberal of the Austrian School of Economics; this collaboration, though seemingly incompatible, proves the point (above) that the values and objective of the opposing economic ideologies are the same. Myrdal takes the role of the analytical economist, deferring his usual humanist approach (Ibid. p. 204. 4).

The teamwork of Kaldor and Myrdal is just as significant and valuable. The two swap and share their usual economic roles and, as a result, bring completion the economic ideal of theory toward *final cause*: human objective. Kaldor's focus is on the analytical aspects of what it means in terms of trade; its impact on the masses of individuals, which is the usual focus Myrdal's attention. As a Swede and an architect of

social democracy, Myrdal is, for Howard and me, a guide equal to Kaldor, since Myrdal makes a tangible, direct focus upon the ethics that Howard seeks: a decent life, which is the dignity of people as the priority over profit and growth, which is the equitable benefit from both profit and growth— for all economic actors.

The theory of CCC has modern roots in the work of the 18<sup>th</sup> century theorists John Locke and Adam Smith; it gains the notice and academic work of other economists since, including Myrdal's 19<sup>th</sup> century Swedish predecessor in economics: Knut Wiskell. Myrdal's 20<sup>th</sup> further development of CCC in the 20<sup>th</sup> century, however, adds depth to the theory, which Kaldor recognizes; Kaldor and Myrdal work together in the UNECE; Myrdal works on the social ramifications of development, while Kaldor's focus is the demand-supply relationships of manufacturing and commerce (Fujita, Nanako "Gunnar Myrdal's Theory of Cumulative Causation Revisited," 2004, p. 2. 1). From the teamwork of a relay, the baton passes to Howard who makes the theory in his Part IV title theme in his book, *Understanding the Global Economy* largely about the major theoretical explanatory bases of the global economy.

Aptly, the theory of CCC takes new form in a joint effort with my coeditor Jeanie Clark; her BA in English Composition and MA in Psychology assist the project nicely. In our effort to make sense of Howard's heady conceptual thought, we take breaks by forming graphic charts of the cerebral concepts. Kaldor's theory of CCC becomes our top



feat in this sub-genre. For the student, CCC theory unravels in the common language of the literal sentences: (1) The rich get richer, (2) The poor get poorer, and what explains the first two: (3) It takes money to make money; these tenets rediscovered by

Myrdal, elaborated by Kaldor and those in their circle are now part of popular language; they are the positive and the negative feedback loops of the conceptual antagonist: CCC; the protagonist in an abstract sense is *accounting causality*, a phraseology Howard conceives to describe the role of the government of a true democracy in its use of budget surplus to create direct assets-based employment, infrastructure and satisfying un-met needs. The basis of it is the existing and alternative models of social and corporate structures that work to use dormant funds.

My coeditor and I discover that Kaldor, a leading contemporary economist, makes CCC a more significant theory. For us, economics becomes tangible and distilled into literal formulas. Kaldor becomes our guide as the model of the intellectual who realizes economics and will show us how. Our guide, Howard Richards is a professor who teaches for the sake of his learning how to teach equitably to make our learning easier, more enjoyable and engaging. His emphasizes the philosophy that each of us, as economic practitioners, are on the path to understand economics, which will lead to self-sufficiency via the unlimited energy source that is 1) the network, 2) the community, 3) the collective and the 4) myriad of cultural intuitions that comprise the first three. We are not alone, we are together; this is central to economics and ecology.

Using the logic that places the student first, Howard's classroom format is the *teach-in* of students as teachers from our economic experience, as stored experience. Now, I realize and honor the ideal that everyone has an economics lesson as their narrative to impart for the value of all. So, now I will do better by listening to each who has a story with a voice and, thus, I will encourage and hear all voices, keep considering all theories.

Nicky, as Sir Douglas Hass and Kaldor's student and biographer Anthony Thirlwall fondly calls him, takes the popular maxims of our microeconomic experience and proves that they also apply on the macro levels of firms and nations (Thirlwall, *Nicholas*

*Kaldor*, 1987, p. 5. 6). Therefore, Nicky extends our direct economic circumstance into the world at large. The result is an "aha moment," for lay and academic economist alike. My direct guide engages in the same transfer of the popular awareness to the academic and the micro to the macro. It is a permanent scientific learning tool of understanding that dates from the thought of Plato and Aristotle. Due to that, I now have examples of what and how to bring the particular fact from or to the general and the common understanding from or to the intellectual.

One of Nicky's protégé at Cambridge and the LSE is the acclaimed economist author Joan Robinson. Her work on theories of economic growth is both independent of and in conjunction with the extant research and Nicky's work, within the field growth (Kaldor, Nicholas, *Essays on Economic Stability and Growth*. 1). In that era, Robinson writes many books for the general public, which affirms the vital need to raise economic literacy and the value of all of input. Her book on the topic is a series of essays, *Essays in the theory of Economic Growth*, which points out the complexity of the economists view and approach growth. In Part IV of *Understanding the Global Economy*, my extant economics guide writes:

The objection to the ideal of growth by green economists meets with valid criticism from Kaldor's close associate, Joan Robinson who writes—Those who protest growth should instead redefine it.<sup>26</sup> Adding to that she writes: The greens should define growth so that the undesirable outcomes such as it pollutes, exterminates species and warms the atmosphere are given a name other than growth, e.g., pseudo-growth, anti-growth or toxic growth. Thus, a true growth as the green growth would consist of desirable outcomes, which is that activist governments would pursue it instead of anti-growth. (Richards, *Understanding the Global Economy*, p.67. 2)

In effect, Robinson leads the way for a new *Earth-centered economics* that defines the sustainable economy as the type of growth that does no harm to the Earth and

future generations of inhabitants in both (all) kingdoms of life. Nicky helps set the stage for this in his addresses, essays and consultation about growth and the inextricable link between the entrepreneurial peasants and their land in his effort to make industrial growth compatible with agrarian livelihood. Nicky may imply that industry replaced many of our needs as things once filled by agriculture, even transportation (horses, etc.):

Technical progress is a continuous process that takes the form of development and marketing new products, which provide a new and preferable way of satisfying a need or want.

Such new products, if successful, replace existing products that serve the same needs.

Because of marketing, the heightened increase in demand for the new product is disproportionate to the normal increase in demand resulting from economic growth.<sup>27</sup> (Ibid. p. 68)

In his primary genre of essay writing, Nicky debunks the aspects of advertising that bribe and deceive us into constant consumption of what we do not need. Thus, he invites me to do the same, with a proud defiance and panache that is part of the new age of economics; it wants gratuitous consumption and frenetic motion to slow, so that we may “sniff the fragrant rose” of a life that is simplified and, thus, the meaningful treasure that has become the elusive and ephemeral butterfly darting around our compulsive model of growth..

The most obvious objection to the ideal of growth is that it destroys the environment. It is impossible to continue indefinitely the present destruction of habitat by Homo sapiens. Therefore, it is a crime against posterity to attempt it. (Ibid. p. 67)

In this instance, guide Howard cites a major consequence of the ethics of liberty, property and contract, which are aimed to promote growth as an imperative. For me, this realization allows me to understand the world as it is, since Rome, and choose to work around it via alternative economy; this I realize as I participate in structural transformation of the ideals into ones that will work in perpetuity. Now I can and will explain,

to almost anyone, with eager urgency how our economic predicament occurred and why it persists. Nicky sums it up nicely, giving me a sense of the mood that I might choose; he gives me the ease of an affinity with the caring great economists; it is an affinity born from the model of the loving mother and ecology:

For at least another century, we must pretend that fair is foul and foul is fair, because foul is useful and fair is not. Avarice, usury and precaution must be our goals for a bit longer, still.

For only these can lead us from the tunnel of economic necessity, into daylight.<sup>28</sup>

(Ibid. p. 68)

Those eloquent, penetrating words of Nicholas Kaldor are an invocation, a prayer for patience and persistence; those words raise a clarion call to movement of alternative economics, the call the guide Howard has heard and answered in vigorous proactive, hands-on action. Howard’s words urge us to begin an earnest testing of the *untested feasibility*; about this, the Philosopher, author and Educator Paulo Freire writes:

One of the main results of consciousness-raising is becoming aware of the untested feasibility. Untested feasibility is all the possible action you can take to change the human world that you have never tried. You have never tried it because your worldview [the view of the world you accept from the culture of others] has made you believe that the human world cannot be changed.<sup>30</sup> (Ibid. p. 204)

The main benchmarks of Kaldor are 1) his empirical and pragmatic vigilance, 2) his approach to economics as the ethical science/philosophy envisioned by Plato and Aristotle through St. Aquinas, and 3) his comprehensive economic analysis and synthesis, which leads the post-Keynesians to a burgeoning economic body of thought and worldview. He and his associates set the stage for the flowering of innovative economic theory and proactive work that reflects the large strides in other fields. These are the approach to problem solving that I now guide me daily, for example in writing this

paper. For example, I muse, “How will this paper I am writing serve to improve the lot of humankind?”

The vital innovative thought in recent economic theory is obscured by the mostly superficial prize winning research. For example, few are aware of the current work of the evolutionary economist, scientist, futurist, and author Hazel Henderson. Her entry into formal economics and academia begins when she becomes a mother and realizes the economic chaos that her daughter might face. Henderson revolutionizes, in terms of her *quality of life indicators*, the way in which GDP is now viewed, albeit in the enlightened academic circle. As a Brit, she draws from the flurry of far-reaching economic theory in the UK, which follows since the UK includes the Scottish Enlightenment, Adam Smith and its heirs: Karl Marx and Frederick Engels.

One of Nicky’s most visible and lasting campaigns was his leadership in the effort to debunk the monetarist theory of Milton Friedman; he postulated at his Chicago School of Economics that a growing supply of money would generate commerce and, thus, create jobs. This shallow, presumptuous reasoning became the rallying ideology of the ruling conservative and neoclassical economics in the 1980s in the UK and USA; it backed the supply-side economics of President Reagan. Nicky’s landmark paper, *The New Monetarism*, published in 1970, shows why the stock of money should be taken as a peripheral, external and mitigating economic factor; thus Nicky shows the world that Friedman’s causality is incorrect. In the paper, Nicky describes how Friedman’s influence grew at the time:

We now have a “monetary” counter-revolution whose message is that during this time we have been wrong and our forbears largely, or not perhaps entirely right: anyhow, on the right track, whereas we have been shunted on to the wrong track. This new doctrine is assiduously propagated from across the Atlantic by a growing band of enthusiasts, combining the fervor of early Christians with the suavity and selling power of a Madison Avenue executive. And it is very largely the product of one economist with exceptional powers of

persuasion and propagation: Professor Friedman of Chicago. The “new monetarism” is a “Friedman Revolution” more truly than Keynes was the sole fount of the “Keynesian Revolution”, Keynes’s *General Theory* was the culmination of a great deal of earlier work by large numbers of people: cWicksell and his followers, Myrdal and Lindahl in Sweden, Kalecki in Poland, not to speak of Keynes’s colleagues in Cambridge and of many others.

The new school, the Friedmanites can record very considerable success, both in terms of the numbers of distinguished converts and of some rather glittering evidence in terms of “scientific proofs”, obtained through empirical investigations summarized in time-series regression equations. Indeed, the characteristic feature of the new school is “positivism” and “scientism”; some would say “pseudo-scientism”, using science as a selling appeal. They certainly use time-series regressions as if they provided the same kind of “proofs” as controlled experiments in the natural sciences. And one hears of new stories of conversions almost every day, one old bastion of old-fashioned Keynesian orthodoxy being captured after another: first, the Federal Reserve Bank of St. Louis, then another Federal Reserve Bank, then the research staff of the I.M.F., or at least the majority of them, are “secret”, if not open, Friedmanites. Even the “Fed” in Washington is said to be tottering, not to speak of the spread of the new doctrines in many universities in the United States. In this country, also, there are some distinguished and lively protagonists, like Professor Harry Johnson and Professor Walters, though, in comparison to America, they write in muted tones and make more modest claims, which makes it more difficult to discover just what it is they believe in, just where the new doctrine ceases to be a matter of semantics and becomes a revelation with operational significance.

Just before his death even Friedman would admit to the error that is his supply-side economics; But, the die-hard ideologues still try to squeeze more juice out of it. The debunked theory still has the wings of Reagan, Thatcher and even Friedman. Nicky helped us see the adersarial team-play that has made a tragic mark upon political

economy. The losers in this contest of ideology are 99%, particularly in the Global South.

After his death, Nicky's work keeps on inspiring the alternative economists, such as Hazel Henderson. Nicky's two daughters, both of whom are scholars of economics carry on his work well into this century. In this way, my guides show me that the work of analysis and synthesis, like the proverbial mother's work, never ceases, as the baton passes. The economic "metabolism and catabolism" of trade has to be monitored and ministered as mother cares for her family. Even so, both my guides garner scant recognition in relation to their contribution to the economic discourse; both, however, have students, associates and offspring who feel called to speak and stand.

My economist guides pass the torch of economic clarity and wisdom to me and others. The torch becomes a shared intellectual, evolving sculpture, which becomes an archery of accurate ethics aimed at the center of the target of purpose: the *final cause*: the goal of perfecting care into a perfect harmony as perfected and perpetual humanity. It begins with my grasp of the simple truth of economic justice through care; it grows with my interaction with each of us, regardless of economic class, as a set of economic circumstances largely beyond our control. Now I am mindful of the fact that tension exist twixt the human economic ethic of care versus the mechanical ethic of self-interest, which of course is mainly the tension generated by the fear and loathing in the mechanism that is auto-self-interest; now I have a better chance to enjoy, which to be in harmonious interaction with others , the world and Earth.

I am now guided by the manifesto that Gandhi articulated in the rare eloquence of spirit as the model of contentment with the secure economy of—enough. Thus, the Ganhdian is a variant metamorphosis of *Homo economicus*: the Homo-harmonium-economicus, who knows and has the true riches and dignity of life from birth; who uses the will that is human action for human rights and dignity. My guides move me to take a close look at my life through the prism of economics, the topic of my current larger work

in progress. Some of the torch-bearing seems, at times, an aimless wandering through the vestiges of the indigenous economic worlds; while it is a sincere search for alternatives that will work; it is the search that the Kaldors, Richards and Hendersons conducted knowing well what they would find; thus, the goal becomes the contact, the exposure of both the host and the visitor, the seeker and the last stands of artful living.

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**Kaldor's facts** are six statements about economic growth that he proposed in 1961:

**Output per worker grows at a rate that does not diminish.**

— Comment — In recent decades, the rate of wages and salary increase has lagged well behind corporate revenue, profit and retained earnings. Despite that fact, worker output and the rate of its increase are at record levels.

**Capital [as the amount of wage or salary and the amount invested in the infrastructure of workers and the workplace] per worker grows over time.** As logically it should, though the rate of capital growth per worker fluctuates; at times such as in recent decades, the rate of capital investment per worker is at a historic low point.

**The rate of return to capital is constant.** —Comment— Kaldor makes the point that the economics of production and trade have become more static than dynamic; static economic indicators are the rule, while the dynamic variance is an exception. This fact supports the cumulative causation of increasing wealth because it favors established investors and producers; it seems also to foster stability in the markets and production of market, though it is arguable that the fact has much affect due to other factors such as the capitalist rights of liberty, contract and property over ethical practice.

**The capital/output ratio is roughly constant.** —Comment— The Incremental Capital-Output Ratio (ICOR), is the ratio of investment to growth which is equal to 1 divided by the marginal product of capital. The higher the ICOR, the lower the productivity of capital. The ICOR can be thought of as a measure of the inefficiency with which

capital is used. In most countries the ICOR is about 3 units of output to 1 unit of capital input; however, the ratio varies more from one firm to another; since labour is the highest capital outlay, firms that outsource labour and export production have a much more efficient ratio of capital investment to output.

**The share of capital and labour in net income are nearly constant.**

**Growth rates differ across countries.**

The *technical progress function* is a concept Kaldor conceived to explain the rate of growth of labor productivity as a measure of technical progress. The function is described by the following statements: The higher the growth rate of capital input per worker, the larger the growth rate of output per worker, as the measure of labor productivity. —Comment— Kaldor codification of this theory into a principle is now quite an evident as the standard policy culture and practice of business today.