International competitiveness in post-Keynesian growth theory: controversies and quantitative evidences.

di Laura Barbieri e Luciano Boggio

A fundamental starting point for Post-Keynesian theory concerned with growth in open economies is the following statement by Kaldor: :“[...T]he main autonomous factor governing both the level and the rate of growth of effective demand of an industrial country [ ] is *the external demand for its exports*: and the main factor governing the latter is *international competitiveness, which in turn depends on the level of its industrial cost relatively to other industrial exporters*.” Moreover, thanks to increasing returns in manufacturing, export expansion and international competitiveness would interact so as to create vicious or virtuous circles of cumulative causation. A few years later Kaldor, having found a *positive* correlation between the time changes of the main industrial countries’ relative manufacturing export shares and that of their relative unit costs - correlation that became known as *“Kaldor paradox”* - was led to dismiss his original cumulative causation theory and adopt a version close to Harrod’s ‘foreign trade multiplier’. The purpose of this paper is to re-affirm the Kaldorian cumulative causation theory in its original version, by giving to it a firmer analytical basis and showing that, contrary to “Kaldor paradox” time changes in export performance must be “explained” by *levels* rather than by *changes* in unit costs.