

The relationship between labor, output and the interindustry input structure: an evaluation of Schefold's explanation of empirical wage-profit curves

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In a series of recent papers, Bertram Schefold has presented a particular representation of the Sraffian price system and advanced a set of hypotheses to explain the nearly linear behavior regularly found in empirical estimations of wage-profit curves. Based on a representation of the price system and the wage-profit curve in terms of Goodwin's Normalized General Coordinates (NGC), this paper shows that there is an inconsistency in Schefold's "strong normalization" assumption and his hypotheses, which rely on a random conception of the input coefficient matrix, and the labor and output vector. Moreover, this strong normalization assumption ignores a set of economic forces that affects the behavior of the price and the wage as a function of the profit rate, which do not depend exclusively on the eigenvalues of the input matrix. The representation of the price system in terms of NGC reveals the general conditions for the linearity of these functions and shows that 1) Schefold's hypotheses and assumptions do not lead to a linear wage-profit curve and that 2) the relationship of the labor and output vector with the interindustry flow structure, represented by the input coefficient matrix, are other factors that must be considered for explaining the observed near-linearity.