Falling Rate of Profit with a Constant Real Wage: A Further Comment

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I will give my comments on Salvadori's statements in turn ([2]).

(1) Concerning the first statement about two-commodity models, I have nothing particular to say.

(2) About the second statement. A worker can save a penny from whim just as any capitalist will do, and start a new firm paying more wages than the outside capitalist world. This is by virtue of constant returns to scale.

(3) What I put forward in [1] is the shakiness of economic equilibrium in Salvadori's model economy toward *naive* political disturbances, not economic advantages in the short-run. That is, Robert Owen might have succeeded in his experiment in Salvadori's world.

(4) In the final statement, Salvadori says that a New Harmony village can be built by using Fujimoto's two processes (0) and (1). This is possible, of course, if some capitalists know processes other than their own. I assumed 'ignorant capitalists' as they might (or might not) be in the 19th century ([1, p. 593]).

It seems to me now that it would be better to assume variable returns to scale while the scale of a firm is so small, thus preventing ambitious people from starting a new firm againt equilibrium. Needless to say, this will bring forth some trouble in the concept of *competitive* equilibrium.

References

[1] Fujimoto, T., "Falling Rate of Profit with a Constant Real Wage: A Comment on Salvadori's Example", *Kagawa University Economic Review,* vol. 55, 1983, pp. 590-599.

[2] Salvadori, N., "Falling Rate of Profit with a Constant Real Wage: A Reply to Fujimoto", *Kagawa University Economic Review,* this issue, pp. 208-210.