From endogenous growth to stationary state: The world economy in the mathematical formulation of the Ricardian system

Neri Salvadori (University of Pisa) and Rodolfo Signorino (University of Palermo)

Abstract: We analyze international trade in a Pasinetti-Ricardo growth model in the world economy scenario in which several small trading countries coexist and international commodity prices are determined by the interplay of supply and demand amongst them. We demonstrate that all the trading countries eventually reach the stationary state, though
this process is not monotonic and the dynamics of capital and population may actually push some countries toward the stationary state and others away from it. We also use our model to assess an argument which Malthus employed in the second edition (1803) of An Essay on the Principle of Population to support a policy of agricultural protectionism.