Nature of capital, long-run expectations and path dependence in the General Theory: some epistemological observations.

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This papers aims to develop the methodological and epistemological implications of Pasinetti (1997) and Rotheim's (1998) works with regard to Keynes´s conception of the nature of capital, as expressed in the General Theory (GT).

Such conception is contradictory to the neoclassical framework: Keynes refutes the neoclassical theory of distribution by refuting the second postulate of the "classical" theory and the loanable funds theory (GT, chapter XIV); he demonstrates why the determination of the interest rate must be exogenous and not determined by real variables. It is possible to affirm that Keynes refutes the existence of a labor market and of a capital market, in the way they are defined by the neoclassical school (Respectively Barrère, 1985, e Petri, 1998).

Anticipating the Cambridge Controversy, Keynes shows why an aggregate quantity of capital cannot be evaluated independently from the value of these distributive variables. Finally, it is possible to demonstrate why such conception of the capital implies structural instability of the system, in the mode defined by Vercelli (1985).

The modalities of aggregation of heterogeneous capitals used by Keynes provide the elements with which to construct an endogenous analysis of the cycle, i.e. the switching between expansion and recession. I will demonstrate how the specific concept of scarcity (or abundance) of capital used by Keynes, as well as the modification of long-run expectations, explains the cyclical movement.

In the first section, I will study the modalities used by Keynes to construct the aggregate Investment function. For such purposes, I will define the investment function and its components and I will analyze the determinant of the interest rate and the role as well as the determinants of the long-run expectations. At this respect, I will study the *path dependence mechanism between short-run and long-run expectations*, and its implications in regards to the equilibrium instability. Then, I will explicit the method used by Keynes to aggregate different vintages of capital. In the second section, I will explicate the implications linked to this conception of capital, and will highlight the similarities between this approach and the classical approach (principally from Smith, Ricardo and Marx). Then I will demonstrate why there is no stability of the aggregate equilibrium, and how it is possible to build simple mechanisms which produce endogenous fluctuations. In relation to this aspect, I will highlight the convergences and the complementarities between Keynes´ and the neo-Ricardian approach.