

My arguments in the Warwick lecture could be elaborated as follows:

We consider the effects of an exogenous (positive) shock e.g. an innovative investment.

We may say then that by the effects of the distribution parameter  $\alpha$  a change in the multiplier is increased (decreased); if we can presume that the capacity effect is not changed by the change in  $\alpha$ , then the result is that the expansive effects have been strengthened (by the increase in multiplier) while the opposing capacity effect is not changed. That might mean that the upswing is stronger + longer, which would in itself generate a trend (or change in existing one).

What is the effect on the cycle: Damping coefficient, period  
less damping with bigger multiplier

Capacity effect of  $I_t$ :  $\frac{1}{r} \dot{Y}_{t+0}$

Will depend on  $r$ ! Technical verneble, difficult to predict! generally about!

In addition, there is then employment effect.