

Innovation, structural change and income distribution

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In this paper we will explore the impact of the distribution of income on economic development in a system driven by innovation and structural change. In this system income distribution will arise as a consequence of the distribution of competencies in the labour force, which is itself the result of the distribution of education within the population. We will start with a population constituted by two social classes (workers and capitalists) and we will explore the effect of different initial distributions of education on the rates of growth of income and of employment. In particular, we will focus on the co-evolution of innovation and of demand and on the economic development paths that it can generate. We will be interested in the process whereby the disposable income required to purchase the new goods and services can be generated within the economic system and on its relationship to income distribution and its dynamics. Amongst the questions which we are going to explore is whether presence and the tent of income distribution tend to favor or to hinder the emergence of new goods and services and how this emergence tends to improve general welfare.