Simulating extended reproduction
Poverty reduction and class dynamics in Bolivia

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ABSTRACT:
Dynamic input-output can be seen (Oskar Lange) as a development of Marx's extended reproduction model. Solution of an empirical dynamic input-output system typically gives the (equal, constant) growth rates of sectoral outputs, at long run, equilibrium proportions. In policy oriented applications, a more flexible, simulation approach may be useful. Our model responds to the need of evaluating the effects of alternative poverty reduction strategies. Three policy variables are introduced, namely, (de)indebtedness policy, investment policy and income distribution policy, contributing respectively to the objectives of policy autonomy, structural change and social justice. The Millennium Development Goal of halving extreme poverty by 2015 seems to be a difficult, but attainable goal for Bolivia. Given the expected debt reduction agreed with international creditors, the goal can be attained by a combination of investment and redistribution policies. The model shows also the effects of poverty reduction strategies on the different social classes.