ERRATUM

My maximand in Sec. 2.5 of 'The Capital Controversy', *De Economist* 123, Nr. 3, 1975 is written inappropriately. I apologize and offer the necessary correction. For purposes of maximizing the present worth $\zeta(\tau)$ of all future profits bills, the latter must be defined residually as

$$Z(t) \equiv P_1(t)X_1(t) + P_2(t)X_2(t) - w(t)F(t)$$

and present worth therefore written as

$$\zeta(\tau) \equiv \int_{\tau}^{\infty} [P_1(t)X_1(t) + P_2(t)X_2(t) - w(t)F(t)]e^{-r(t-\tau)}dt$$

Let it be foreseen by the capitalist-entrepreneurs that prices are growing in accordance with our steady-state solutions (2.50) and (2.51) and that outputs are growing in accordance with our steady-state solutions (2.56) and (2.57). Assume $g_F + g_w - r < 0$. Then

$$\zeta(\tau) = \frac{P_1(\tau)X_1(\tau) + P_2(\tau)X_2(\tau) - w(\tau)F(\tau)}{r - (g_F + g_w)} \quad (2.61)$$

Maximize present worth ζ subject to the constraint (2.60) by using a Lagrange multiplier: Define a new function to be maximized

$$\phi \equiv \zeta + \lambda[(1 - c)Y - P_1(I_{11} + I_{12}) - P_2(I_{21} + I_{22})]$$

where ζ is (2.61), and Y is (2.59). The first four first-order conditions for a maximum ϕ are, then

$$\frac{\partial \phi}{\partial I_{ij}} = HP_j \frac{\partial X_j}{\partial I_{ij}} - \lambda P_i = 0 \quad (2.62)$$

where

$$H \equiv \frac{1 + \lambda(1 - c)[r - (g_F + g_w)]}{r - (g_F + g_w)} \quad (2.63)$$

(2.64) and (2.65) hold, so the first-order conditions (2.66) through (2.69) are

$$\begin{aligned} \beta_{11} \frac{P_1 X_1}{P_1 I_{11}} &= \beta_{12} \frac{P_2 X_2}{P_1 I_{12}} = \beta_{21} \frac{P_1 X_1}{P_2 I_{21}} = \beta_{22} \frac{P_2 X_2}{P_2 I_{22}} = \\ &= \frac{\lambda[r - (g_F + g_w)]}{1 + \lambda(1 - c)[r - (g_F + g_w)]} \end{aligned}$$

The left-hand side is simpler than before: It has shed all the $(\beta_{1j} + \beta_{2j})$ factors. The right-hand side is exactly as before.

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