

Aleksander Jakimowicz

Path Dependence in the Neoclassical Economic Growth Theory

Path dependence is a key feature of complex economic systems. It implies that history matters in the long-term evolution of markets and economies. Path dependence can be viewed as the dynamic version of positive feedback effects. This paper focuses on the non-linear neoclassical economic growth model with the Cobb-Douglas production function, which accounts for problems related to pollutant emissions. It was found that only selected initial forms have a chance to develop. Present states depend on past states, even though the historical circumstances that had affected the past states may no longer be relevant. The choice among different histories may be a stochastic process. The understanding of economic growth suggested in this study stands in opposition to the neoclassical tradition based on equilibrium states or paths independent of the system's history.