equilibrium the aggregate is supposed to grow or decline at a constant rate.[a]

In order to pinpoint the precise structural and motorial conditions of dynamic equilibrium – our future frame of reference – it is preferable to treat this concept not as a datum but as a process to be derived from a state of no growth, that is, from stationary equilibrium. This will lead to important insights into controversial issues such as the "pure" structure of real capital unaffected by growth itself and the nature of profits. However, before we describe the stationary structure of production, our initial datum, a word must be said about the *level of aggregation* appropriate to our investigation.

Obviously all levels of aggregation are not equally suitable for the study of all problems. It is in the nature of relative prices as a set of exchange ratios between individual commodities that the interdependence of such prices can be adequately depicted only in a model as highly disaggregated as the Walrasian. On the other hand, in the theory of income and employment, a two-sector model such as the Keynesian has proved to be an effective tool.

Now the particular problems of growth, which are in the center of our interest, concern matters such as the building up and wearing down of fixed capital, the accumulation and decumulation of working capital, the relationship between these capital stocks and the flows of output, the effect of technical change on capital formation and employment capacity, and related topics. It cannot be denied that each of these problems has also a microeconomic aspect. But our investigation will, on the whole, concentrate on those macroeconomic issues that are independent of the peculiarities of individual units or even industries. For this reason the level of aggregation chosen here is very much higher than the one applied, for example, in input–output analysis. At the same time the Keynesian model is too highly aggregated for our purpose. Dealing with production problems we require a model that depicts not only the "value dimension" of income–expenditure flows and asset stocks but also the "physical dimension" of technically differentiated inputs and outputs. These considerations

[a] Our definition implicitly denies that there is "a blind mechanism so constituted that it makes continual trial and error adjustments toward equilibrium," which is the conventional interpretation of Walras's *tâtonnements* (see Professor W. Jaffe's comment in his edition of L. Walras, *Elements of Pure Economics*, Homewood, Ill., 1954, p. 520). Yet it is compatible, for example, with Domar's interpretation of an equilibrium rate of growth as subject to specific requirements in the relationship between the savings and the capital-output ratio (see E. Domar, "Capital Expansion, Rate of Growth, and Employment," in *Essays in the Theory of Growth*, New York, 1957, pp. 70–82), and also concurs with Leontief's open input–output model, in which a stipulated bill of goods functions as the macrogoal.