

ABSTRACT

Savings and the Distribution of Income between Capitalists and Workers in Trinidad and Tobago: An Econometric Approach

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Savings are critical to economic development and a knowledge of the variables which influence savings can greatly assist in policy making. A number of studies have been done in the past with the aim of distinguishing the most important factors which influence savings in less developed countries, including Trinidad and Tobago. The investigative framework of most of these studies did not extend beyond the classical theory of savings, Keynes' theory of savings, the permanent income hypothesis, and the life cycle hypothesis. Even though these theories may help in explaining savings behavior in Trinidad and Tobago and in similar countries to some extent, they do not cast a great deal of light on the savings performance of the various actors in the economy (for example, the capitalists and the workers). One of

the theories which can help here is Lewis' theory of savings, which recognises the distinction between profits and wages and the implications for savings.

Some researchers contend that capitalists are the people in society who save and workers' savings are insignificant (Lewis 1954; Ricardo 1911; Kalecki 1938 and Houthakker 1968). This may be the case for industrialized countries but not necessarily so for less developed countries. The hypothesis based on the propensity of the two groups has not been the subject of a great deal of empirical testing. It is the purpose of this thesis to attempt to test this hypothesis.

Chapter 2: Review of the Literature

The argument of this thesis is that the propensity to save out of workers' income is greater than that of capitalists in Trinidad and Tobago. In addition, it will also be shown that the volume of workers' savings is significant. Workers' income has been greater than that of capitalists' income for most of the years from 1955 to 1992; and a greater propensity to save out of the former results in a significant contribution to total savings.

Chapter 3: Global Savings Trends

3.1 Trends in Savings in Developed Countries