

Labor-Management Bargaining and Okishio's Investment Function

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Abstract

The labor-management bargaining is incorporated to the Okishio investment function. The role of the labor-management bargaining in macroeconomics stability is examined. The following two assumptions are set. (1) Under a common expectation of the future for demand growth, the bargaining between management and labor decides the level of employment, investment and wage. (2) The expectation of demand growth is formed with the utilization rate. Therefore, firm's levels of investment, employment, and wage are the functions of the utilization rate.