

Harrodian model with capital-labor conflict

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Abstract:

The main motivation of this paper is to consider the effect of capital-labor conflict, including reserved-army effect (the non-sharking condition) and technological change (capital-labor substitution) on the Harrodian model. Using this models, we focus on the stability condition of the Harrodian model although the benchmark Harrodian model is unstable as we well known. First, we find the reserved-army effect does not affect on the stability condition. Second, when we assume not only capacity utilization but also profit share affect the investment function, we find the Harrodian model may be stable. Third, if we induce technological change into the long run, we find the sensitivity of employment rate on technological change needs some range to be stable, that means the small sensitivity of employment rate on technological change and the large sensitivity of employment rate on technological change make the model unstable.