

# Analysis of the Business Cycle with a Basic Income System.

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## Abstract :

This paper analyses how the introduction of a basic income scheme (basic income) in the Harrod-Okishio model would affect the business cycle. The model has an upper limit to the divergence movement - full employment - while the lower limit is limited by the basic income. As basic income plays a role in facilitating the transition from downward to upward divergence, the model has the same structure as the model considering independent basic consumption by Okishio (1976, 1988). The paper analyses global and local movements, including underemployment and full employment, and identifies the stability of cyclical movements that depend not only on basic income but also on the size of the natural growth rate (equilibrium accumulation trajectory) and the warranted growth rate (smooth expansionary reproduction path). Furthermore, it shows that the amplitude of the business cycle changes with changes in basic income, and its validity is verified by simple numerical calculations.