

Harrod – Okishio investment function, a business cycle and decreasing population

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Abstract: Sir Roy F. Harrod argued the warranted rate of growth is instable. Professor Okishio insisted that capitalism has a property of cumulative disequilibrium and therefore, it is necessary to force an aggressive reversal of the process of disequilibrium to continue its reproduction. Cyclical fluctuations with alternation economic crises and turnovers are characteristic of a capitalist society. In this paper we introduce a simple Keynesian consumption function in a growth model with Harrod-Okishio investment function. We show a business cycle constrained by full emolument at ceiling and zero investment in floor. And we discuss the case of decreasing population. In the case of zero rate of population growth we show no cycles and a constant production under unemployment and low-utilization. It is contrast with the neoclassical growth theory.