The accelerator coefficient showed ~~that~~ the rate at which investment can create extra output & it is possible to rearrange the eqbm equation & substitue in the accelerator equation to get warranted rate of Growth. Warranted growth shows the rate of increase in production in an economy which will be desired at any given change in capital stock. It represents supply side in Harrod's model.

Dynamic eqbm will take place when

KNIFE'S EDGE EQBM → $g = g_w$ and $\therefore C = C_r$ } In eqbm

HARROD'S INSTABILITY

If $g > g_w$ ∴ there is excess demand

$\therefore \frac{1}{C} > \frac{1}{C_r}$

$C < C_r$

If $g < g_w$ ∴ there is excess supply

$\therefore \frac{1}{C} < \frac{1}{C_r}$

$C > C_r$

If $g > g_w$ ie; $C < C_r$ it shows that actual investment is not sufficient to create sufficient

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