L-59th

21st Jan, 2019

Harrod's instability :-

$g_w = \frac{s}{C_r}$; C_r → Accelerator Coefficient

ss side

$g = \frac{s}{C}$; C → K-Y Ratio

dd-side

g → Actual rate of growth

g_w → Warranted rate of growth

g_n → Natural rate of growth or Expected rate of growth.

Eqbm = $\boxed{g = g_w}$

DOMAR MODEL

Domar's model was similar to Harrod where he poses the question that "what rate of growth of investment must prevail such that supply grows at the same rate as demand at full employment level of output?". He gave the answer using equation of demand borrowed from Keynesian model & equation of supply taken from productivity of Capital equation.