

Co/3/97

Fundamental equation

$$y = \frac{100}{MR-1} \quad \text{where } y \text{ is rate of growth of output}$$

This ^{the rate of} steady growth with y constant and R constant
 is ~~impossible~~ possible since by the value of the multiplier
 and this rate is not necessarily compatible with full employment

- ① Derive then with a given value of M which will show the above
- ② If M and R unchanged, a change in the rate of growth is impossible
 but possible change in growth rate which changes $R \rightarrow M$
- ③ Steady growth with constant value
 implies constant multiplier i.e. average $M = \text{constant}$
- ④ This is very unlikely
 as if M falls in progress, R is used for steady progress, i.e.
 it is more for
- ⑤ Hence steady growth requires MR constant

Steady growth requires a fixed value of multiplier

eg. if relation is $y = c + mY$ and $m < 1$ then steady growth is

Average Multiplier $\rightarrow M = \frac{100 + \frac{100}{MR-1}}{100} \quad (MR-1) \cdot y = \frac{100}{MR-1}$
 $y = \frac{100}{MR-1}$

However average multiplier \rightarrow y is quite small which is very unlikely

Thus a set of steady growth y is only possible if the rest of the world is growing at the same rate as the rest of the world

eg. $y = \frac{100 + \frac{100}{MR-1}}{100} \quad y = \frac{100}{MR-1}$

Now if value of multiplier or m changes, a change in the rest of the world is impossible

the perfect change is possible unless there are perfect changes in the rest of the world

If m falls with progress, y will rise, i.e. rest of the world

- ⑥ However a fast rate of investment does not depend on consumption but on expectations (except for the influence of current consumption)
 This means that the relation with change (i.e. change of consumption)

Thus one might have steady growth with an unstable investment with unstable expectations affected by unstable interest

System has several degrees of freedom \rightarrow steady consumption and unstable investment \rightarrow unstable relation and unstable multiplier

Q) But since part of population is not steady
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That is no knowledge in favor of steady growth as long as
 But if there is full employment, the long run is to be expected
 (unstable) approach complete with other factors; large difference = inflation
 leads to a higher multiplier, leading to a higher rate of interest = conditions
 After employment rises leads to a more rapid rate of growth.

Q) Steady growth at full employment as different rates. But why
 may we expect steady growth
 The theory of steady growth has no application with uncertainty,
 should have thought to the Trade Gap. Effectively a logarithmic growth

$$I = \frac{c}{MR-1}$$

$$Y = MI = \frac{Mc}{MR-1}$$

Y falls with

$$\frac{S}{I} + I = R$$

$$C + I = I \cdot MR$$

$$\frac{I}{C} = \frac{1}{MR-1}$$

$$\frac{Y}{100} = \frac{I}{C} \text{ when } Y \text{ is rate of growth}$$

Rate of growth of capital = $\frac{100}{MR-1}$

Rate of growth of consumption = $\frac{C}{I} = MR - 1$

Handwritten calculations and diagrams:

- Diagram 1: $100 \div 4 = 25$
- Diagram 2: $12 \div 4 = 3$
- Diagram 3: $120 \div 15 = 8$
- Diagram 4: $100 \div 15 = 6.67$
- Diagram 5: $100 \div 15 = 6.67$
- Diagram 6: $100 \div 15 = 6.67$
- Diagram 7: $100 \div 15 = 6.67$
- Diagram 8: $100 \div 15 = 6.67$
- Diagram 9: $100 \div 15 = 6.67$
- Diagram 10: $100 \div 15 = 6.67$
- Diagram 11: $100 \div 15 = 6.67$
- Diagram 12: $100 \div 15 = 6.67$
- Diagram 13: $100 \div 15 = 6.67$
- Diagram 14: $100 \div 15 = 6.67$
- Diagram 15: $100 \div 15 = 6.67$
- Diagram 16: $100 \div 15 = 6.67$
- Diagram 17: $100 \div 15 = 6.67$
- Diagram 18: $100 \div 15 = 6.67$
- Diagram 19: $100 \div 15 = 6.67$
- Diagram 20: $100 \div 15 = 6.67$
- Diagram 21: $100 \div 15 = 6.67$
- Diagram 22: $100 \div 15 = 6.67$
- Diagram 23: $100 \div 15 = 6.67$
- Diagram 24: $100 \div 15 = 6.67$
- Diagram 25: $100 \div 15 = 6.67$
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- Diagram 46: $100 \div 15 = 6.67$
- Diagram 47: $100 \div 15 = 6.67$
- Diagram 48: $100 \div 15 = 6.67$
- Diagram 49: $100 \div 15 = 6.67$
- Diagram 50: $100 \div 15 = 6.67$