

Coordination Failure under Perfect Competition

— A Micro Foundation of Keynes-type Consumption Function —

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Abstract

This paper considers the coordination failure under perfect competition in an overlapping generations model. If the marginal propensity to consume decreases, then the outputs decrease. There is a continuum of Pareto-ranked equilibria with respect to the marginal propensity to consume.

JEL classification: E12, E21, D41, D50,

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