Coordination Failure under Perfect Competition
— A Micro Foundation of Keynes-type Consumption Function —

Shin Kawai∗

July 4, 2005

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,
Keywords: Coordination Failure, Effective Demand, Overlapping Generations, Perfect Competition

∗Graduate School of Economics, Nagoya University, Furo-cho, Chikusa-ku, Nagoya, 464-8601, Japan. Tel. & Fax.: +81-52-789-5456. E-mail: skawai@soec.nagoya-u.ac.jp