

# The Harrod Discontinuity and Macroeconomics

Kazuyuki Sasakura, Waseda University

## Abstract

The purposes of this paper are threefold. The first is to show that Keynes's *General Theory* can be characterized as a two-sector model with flexible prices and profit-maximizing firms. Such properties are called “Three Features” of the *GT*. The second is to point out that macroeconomics made a drastic change in quality between 1936 and 1939. Such a change is called the Harrod discontinuity. Due to the change, “Three Features” of the *GT* were lost. The third and most important is to propose a general macro model by using “Three Features” of the *GT* and reconsidering Hicks's *IS-LM* model as well. The *simple* macro model proposed here will help to see Keynesian economics and neoclassical economics from a unified point of view.

Key words: Keynes's General Theory, Two Harrods, Flexibility of prices, General macro model

JEL classification: B22, E12, E13