

Abstract

The paper presents the theory of investment in the light of the Austrian theory of the trade cycle. According to this theory are the trade cycles due to interference with the ‚natural‘ rate of interest in consequence of which an increase money through credit expansion. Firms invest the money addition in new capital goods (or consumers enhance their consumption). This changes the capital structure in conflict with propensity to consume and to save and results in booms and following slumps. It is possible that the same effect can have stimulation of investment through tax reduction or similar measures which are intended for increasing of investment and employment. Resultant malinvestments have to be removed in course of the following slumps .