Index

actual capital ratio 56
age distribution 27
aggregate demand 5–6
defined 1
and growth 45
inequality and 33–42
à la Harrod model 68, 144
Allen, R.G.D. 67, 145
arithmetic and fallacy of composition 16–17
austerity, debate on 62–3
average wealth 26

Bernanke, B. 22
birth–death process 27
Brock, W. 85, 86
bubbles 126
and instability 87–8, 99
and wealth 77, 79, 81, 83, 85, 87, 89, 91

Cambridge school of thought 32
capacity 79–80
capacity growth 6, 145
capital 28
dual aspect of 31
private 9, 16, 151
value of 31, 72–3, 105
capital accumulation 66
capital dynamics 15, 54
capital gains 7, 9, 30–31, 41, 78, 89, 93–6, 101, 103–5, 107, 109, 111, 141, 143, 145
closing the model 108–9
and wealth 104–5
capital income 13, 18
Capital in the Twenty-First Century (Piketty) 13
capitalism 3, 33
capitalization rate 101
capital measurement problem 28
capital output coefficient 54
capital/output ratio 15, 17, 21, 32, 34, 68–70, 78–9, 93–4, 103–4, 107, 120, 126, 144–5, 152
capital share and wealth, evolution of 19–20
Carvalho, L. 36, 38, 40
Caskey, J.P. 46
ceteris paribus 27, 88
circularity problem 29
Cobb–Douglas production function 14
complex dynamics 5, 51–2
composite parameter values 102
constant elasticity of substitution (CES) 14
Consumer Age 41, 115–16
cconsumption function 39, 119–20, 131, 145
credit supply 118
Cynamon B.Z. 5, 30, 41, 111, 115–17
debt 7–8, 18, 41, 53–4, 58–63, 115–16, 118–20, 122, 126, 130, 133, 136, 141–2, 145, 149
analytical role of 118–19
in Great Recession 116–17
and wealth 115
debt inequality 18–19
debt overhang 118
debt ratio 8, 19–20, 57–8, 60, 118, 120, 126, 130, 132
De Grauwe, P. 85
De Long, J.B. 22, 117
demand-led growth model 101
disequilibrium analysis 82–3
disequilibrium model 66–7
Domanski, D. 39
Dutt, A.K. 41

163
Aggregate demand, inequality and instability

dynamic model 40, 117, 120, 151
dynamics, impact of 146
dynamics of wealth 4, 145, 148
dynamic stochastic general equilibrium (DSGE) models 1, 62
economic growth 42, 47, 79
economic models 35
economies 2, 13, 23, 40, 49, 147, 152
economy, feedbacks 36–7
Eggertsson, G.B. 119
employment 46, 49–50, 56, 59, 70, 117, 119, 149–50
employment rate 56
endogenous bubbles 126
endogenous saving rate 18
endogenous variables 58
equilibrium growth rates 48
exogenous rate 55–7, 61
exogenous variables 20, 82, 97, 102, 106, 109, 123, 125
exponential growth 25–6
Fazzari, S.M. 5, 30, 41, 46, 49, 54, 111, 115–18, 135, 149
Ferri, P. 4, 30, 49, 51, 70
finance, feedbacks and role of 148–9
financial crises 33, 119, 149
financial instability hypothesis (FIH) 7–9, 52, 80, 115, 117, 119, 121–3, 125, 127, 129, 131–3, 135, 141–2, 144–5
financial markets 3–4, 7–9, 62, 78, 89, 103–5, 107, 109, 111, 141, 145
financial wealth 17–18
fiscal multipliers 62
fiscal policies 53, 58, 60, 62–3, 136, 151
role of 60
structural role of 58
fiscal variables 55
functional distribution 14, 25, 36–7, 40–41, 63, 77, 98, 101, 143
fundamental Keynesian model 66
fundamental laws 15
generalized deflation 46
Goodwin, R.M. 50
Gordon, R. 22
government expenditure 60
Great Recession 4, 41, 116–17, 135, 139, 151
Greenberg, E. 51, 118, 135, 149
gross domestic product (GDP) 69, 80, 94
growth, impact of 21–2
growth dynamics 149
growth models 1, 4, 6, 13, 15, 22, 24, 35, 45, 49, 59, 67, 77–8, 109, 140
demand-led 101
economic 42
heterodox 150
and instability 45–6
in intensive forms 67
intermediate 80
neoclassical 150
nonlinear 80
wage-led 40
growth rate 27, 57, 59, 151
long-term 149
low 23
potential 6
growth theory 2, 21, 28, 45, 77, 140, 148
Hall, R.E. 118
Hansen, Alvin 22
Harrod, R.F. 6, 45
Harrod–Domar formula 69
Harrod model 48
heterogeneity 93
heterogeneous model
bubbles and instability 99
capital share 93–4
closing the model 96–7
dynamics, simulating 97–8
growth in 94–5
investment, determinants of 95–6
linearizing 99–101
wealth ratios 93–4
Hicks, J.R. 6, 23, 28, 49, 50, 57, 66
Hommes, C. 85, 86
Hopf (Neimark–Sacker) theorem 91
housing bubble 9, 102–3, 118
housing sector 78, 93–7, 101, 103–4, 115
Index

Aggregate demand, inequality and instability

Occam’s razor instability 48
O’Connell, S.A. 31
Palley, T.I. 46
Pareto distribution 26
Pareto inequality measure 25–7
patrimonial capitalism 13, 15–18, 23–4
personal wealth 9, 28–31, 39, 41, 71, 77, 103–5, 120, 141
piecewise linear models 49–50
Piketty, T. 4, 5, 14, 26, 29–31, 34, 35, 40, 71, 77, 80, 83, 89, 101, 104, 140, 145
Policies, role of 151
price 150
private capital 9, 16, 151
private wealth 9, 16–18, 28–9, 31, 53–4, 63, 144, 151
productive sector 93–5
profit-led versus wage-led regimes 37–9
profit rate 32, 72, 95, 126
public debt 9, 16–21, 23, 28, 53–5, 57, 59, 61, 63, 136, 141, 144–5, 151
Public expenditures 53, 56–8, 60
Public expenditure share 64
Punzo, L.F. 50
Quantity adjustments 146
Questions 4
Rastignac’s strategy 16–17
recursive dynamic model 32, 120–22
linearizing 122–5
simulations 122
recursive workhorses 66–73
à la Harrod model 68
alternative definition 67–8
disequilibrium model, in levels 66–7
growth, different solution for 69
growth models, in intensive forms 67
income distribution 71–2
investment, catalyst 70–71
investment, dual role of 69–70
monetary economy, recursive model 72–3
Regime-switching model 9, 129, 131–3, 135
Correlations 134–5
dynamics in 131–2
instability in 129–36
observations 135–6
robustness of 133
stagnation 133
steady states in 129–30
stochastic version 133–4
strategies, comparing 135
switching parameters 131
threshold 130–31
rent 78–9
Rezai, A. 36, 38, 40
Ricardo–Sraffa conflict 89
Romer, P.M. 3
Saddle point stability 1
Samuelson accelerator–multiplier model 50
Second law of capitalism 16
secular stagnation 22–3
Shaikh, A. 49
Sine qua non condition 27
Smithin, J. 29
Snowball effect 39
Solow, R.M. 2, 45, 46, 48
Spare resources and constraints 56–7, 59
Sraffa, P. 32
steady state value 57–8
steady state values 58, 81–2
Stiglitz, J.E. 5, 24, 30, 41, 77, 80, 88, 151
stock dimension 39–40
stocks 28
stylized facts 33–4, 103–4
Summers, L.H. 22, 117
Taylor, L. 27, 29, 31, 36, 42, 103, 105
Taylor coefficient 84
Taylor equation 81, 88, 90, 99, 108, 121, 124
Taylor rule 47
technology 56–7
theories, facts in search 3–4
theses, aspects 141–2
thwarting forces 51
traverse movement, system 23
unemployment 53, 57, 59–60, 121, 130–31
rate of 55, 59, 80, 96, 124, 130, 142
United States (US) economy 33  
see also economies

variables  
fiscal 55  
strategic 29, 63, 67, 69, 130, 145, 152

wealth 28, 29, 77, 140  
alternative specification 106–8  
average 26  
and bubbles 77, 79, 81, 83, 85, 87, 89, 91  
and capital gains 30, 104–5  
closing the model 108–9  
and debt 115  
dynamics, simulating 106  
effect 29, 40  
financial 17–18  

functional distribution, delinking 40–41  
inequality and 88–9  
normalized 26  
personal distribution of 77, 101, 143  
wealth/income ratio 16, 29  
wealth inequality 26–7, 34, 39–40, 53, 139–40, 152  
and income 34–5  
wealth/output ratio 15, 17, 34, 40, 53, 59, 71, 78, 101, 134, 140  
wealth ratios 13, 17–18, 20, 22, 59, 63–4, 77–9, 81, 83, 89, 93–4, 99, 109, 115, 144–5  
see also wealth  
workhorses, investment dual role 142–3

Zucman, G. 29, 30, 104