Index

accelerator principle 36
  see also financial accelerator
‘ACE approach’ 37–8, 40
adaptive expectations 94–103
agents 33
aggregate demand 15, 23, 28, 29, 39, 52, 55, 60–78, 117, 159
  and supply xiv, xvi, 3, 4, 6, 45, 65–6, 69, 81, 117–30, 143
demand and supply model 122–4
  see also four-quadrant approach
Akerlof 38–9, 57, 60, 62, 107, 108, 122
Archimedes’ lever xv, 42
Arrow see general equilibrium
Asia 16
balance sheet
  perspective 85
slump 159
‘black box’ xiii, 20, 154, 169, 171–2
bounded rationality 96–7
business cycles 3–4, 10, 13, 21, 159, 161–2
  see also real business cycles
cash-flow 17, 19, 20, 60, 81, 82, 83, 85, 131, 144, 154, 164
celling xiii, 24, 118–19, 154
CES (constant elasticity of substitution) 135
ceteris paribus assumption see partial equilibrium
Chicago school of institutionalists 23
competition
  imperfect xii–xiii, xvii, 39, 48, 52, 53, 56, 57–67, 69, 73, 75, 77, 147, 164
composition fallacy see fallacy
consumer debt 83
  see also debt
corn economies 69
credit
  channel 18, 19
  crises see shocks
  crunch 20
  lending 20
  crises see shocks
deflation 17
  equation 85
deflation 17, 84, 104–14
DGSE (dynamic general stochastic equilibrium)
  models 62, 81, 169
dichotomies 3
ECB 18, 19
dependent explanations 15–16, 21, 81–114
energy sector 61
equilibrium xiii–xiv, xvi, 15, 25–34, 54
  market disequilibrium xii
  see also DSGE; general equilibrium;
    partial equilibrium; shocks;
    symmetric equilibrium
Euler
  conditions 73
  equation 87, 166
Europe 12
expectations 94–103, 124, 144, 149
  adaptive 94–5
  consistent 102–3
  hypotheses 104
  Markovian 98–100, 125–6, 129, 164
  rational 95–6
  ‘steady states’ 124–5

consumption 87, 88
  theory 57
  see also Akerlof; Euler equation
corn economies 69
development 81–4, 131–3, 142, 146, 161
deflation 17
equation 85
ECB 18, 19
development explanations 15–16, 21, 81–114
energy sector 61
equilibrium xiii–xiv, xvi, 15, 25–34, 54
market disequilibrium xii
see also DSGE; general equilibrium;
  partial equilibrium; shocks;
  symmetric equilibrium
Euler
  conditions 73
  equation 87, 166
Europe 12
expectations 94–103, 124, 144, 149
  adaptive 94–5
  consistent 102–3
  hypotheses 104
  Markovian 98–100, 125–6, 129, 164
  rational 95–6
  ‘steady states’ 124–5
<table>
<thead>
<tr>
<th>Term</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>fallacy of composition</td>
<td>25–33</td>
</tr>
<tr>
<td>feasible rate of growth</td>
<td>164–5</td>
</tr>
<tr>
<td>FIH see financial</td>
<td></td>
</tr>
<tr>
<td>financial acceleration</td>
<td>20, 36, 84, 85, 92, 118, 123, 145</td>
</tr>
<tr>
<td>instability hypothesis (FIH) xiii</td>
<td>14–24, 164, 165</td>
</tr>
<tr>
<td>fiscal multiplier</td>
<td>166–7</td>
</tr>
<tr>
<td>policy see monetary policy</td>
<td></td>
</tr>
<tr>
<td>floor xiii</td>
<td>24, 118–19, 154</td>
</tr>
<tr>
<td>fluctuations v growth, interdependence</td>
<td>xiv</td>
</tr>
<tr>
<td>four-quadrant approach</td>
<td>73–4</td>
</tr>
<tr>
<td>general equilibrium</td>
<td>25, 26, 27, 29–30, 31, 33, 35, 38, 48, 50, 54, 55, 61, 62, 70, 73, 81, 137</td>
</tr>
<tr>
<td>Arrowian 38</td>
<td></td>
</tr>
<tr>
<td>see also Walras</td>
<td></td>
</tr>
<tr>
<td>General</td>
<td></td>
</tr>
<tr>
<td>Motors 8</td>
<td></td>
</tr>
<tr>
<td>Theory of Macroeconomics (Keynes) xi, xiv, 25, 26, 28, 70, 173</td>
<td></td>
</tr>
<tr>
<td>see also Keynes</td>
<td></td>
</tr>
<tr>
<td>globalization 117, 120, 121, 128, 133–4, 139–42, 163</td>
<td></td>
</tr>
<tr>
<td>gold 26, 27, 119</td>
<td></td>
</tr>
<tr>
<td>‘Great Depression’ 13, 14, 15, 21, 27, 46, 68, 73, 77, 117–30, 131, 133, 159, 161, 166, 171</td>
<td></td>
</tr>
<tr>
<td>Moderation ix, x, 11, 16, 120, 159</td>
<td></td>
</tr>
<tr>
<td>growth cycles xiii, xvi, 3, 4, 5–6, 10, 13, 22, 23–4, 161–2 and labor share 140 endogenous growth theory 4–5, 9 model 126–8 see also regime switching</td>
<td></td>
</tr>
<tr>
<td>Hamilton model 119</td>
<td></td>
</tr>
<tr>
<td>hedge finance 17, 40</td>
<td></td>
</tr>
<tr>
<td>heterogeneity 33</td>
<td></td>
</tr>
<tr>
<td>Hicks, John ix, xiii, 3, 23–4, 29, 39, 41, 48, 58, 61, 85, 118, 119, 160, 172 ‘traverse’ 7, 76</td>
<td></td>
</tr>
<tr>
<td>IKE see imperfect</td>
<td></td>
</tr>
<tr>
<td>IMF</td>
<td></td>
</tr>
<tr>
<td>analysis of recessions 12</td>
<td></td>
</tr>
<tr>
<td>imperfect competition see competition</td>
<td></td>
</tr>
<tr>
<td>knowledge economies (IKE) 57, 62, 63, 67</td>
<td></td>
</tr>
<tr>
<td>imports 65</td>
<td></td>
</tr>
<tr>
<td>income</td>
<td></td>
</tr>
<tr>
<td>distribution/share xi, 5–6, 8, 131–42, 152–3, 161</td>
<td></td>
</tr>
<tr>
<td>inflation 72, 104–14, 153</td>
<td></td>
</tr>
<tr>
<td>equations 86</td>
<td></td>
</tr>
<tr>
<td>non-linear equation 107</td>
<td></td>
</tr>
<tr>
<td>Phillips curve and 108</td>
<td></td>
</tr>
<tr>
<td>‘steady states’ 124–5</td>
<td></td>
</tr>
<tr>
<td>instability 15</td>
<td></td>
</tr>
<tr>
<td>see also shocks</td>
<td></td>
</tr>
<tr>
<td>interdependences xiv–xv</td>
<td></td>
</tr>
<tr>
<td>interest rates 87–8</td>
<td></td>
</tr>
<tr>
<td>channel 18, 19</td>
<td></td>
</tr>
<tr>
<td>see also Taylor rule</td>
<td></td>
</tr>
<tr>
<td>investment 8</td>
<td></td>
</tr>
<tr>
<td>isomorphism 35–6, 56, 60</td>
<td></td>
</tr>
<tr>
<td>Japan 12, 13, 160</td>
<td></td>
</tr>
<tr>
<td>Keynes xi, xii, xiii, xiv, xvi, 3, 14, 15, 22–3, 25, 26, 27, 28, 29, 30, 31, 33, 35, 39, 40, 41, 45, 53–6, 58, 59, 64, 69, 70, 73, 74, 75, 77, 117, 129, 161, 168, 172</td>
<td></td>
</tr>
<tr>
<td>four quadrants 78</td>
<td></td>
</tr>
<tr>
<td>‘hydraulic’ 167, 169, 173</td>
<td></td>
</tr>
<tr>
<td>labor market 46–8</td>
<td></td>
</tr>
<tr>
<td>liquidity trap 62</td>
<td></td>
</tr>
<tr>
<td>short run xii</td>
<td></td>
</tr>
<tr>
<td>wages/employment relationship 27–8</td>
<td></td>
</tr>
<tr>
<td>see also General Theory; monetary theory of production; New Keynesians; Phillips curve</td>
<td></td>
</tr>
<tr>
<td>Knightian uncertainty 22, 30, 32, 143, 172</td>
<td></td>
</tr>
<tr>
<td>labor</td>
<td></td>
</tr>
<tr>
<td>hoarding xii</td>
<td>10</td>
</tr>
<tr>
<td>market xii, 12, 45–56</td>
<td></td>
</tr>
<tr>
<td>equations 85–6</td>
<td></td>
</tr>
<tr>
<td>implications of imperfect competition 64–5</td>
<td></td>
</tr>
<tr>
<td>see also unemployment</td>
<td></td>
</tr>
<tr>
<td>productivity 8</td>
<td></td>
</tr>
<tr>
<td>share 131–42, 152</td>
<td></td>
</tr>
</tbody>
</table>
Index

learning xiii, 60, 82, 87, 93, 94–103
least square learning 97, 111
Leontief 23, 39, 48
linear models 118–19 see also non-linear
Lucas
critique xv, 41–2, 163
see also general equilibrium

macroeconomics xvi–vii, 14, 25–34, 35–42, 135
beginnings 25
dynamic model 81–93
microfoundations xv, 35, 94
Malthus 15
Markovian expectations see expectations
Marx 15
methods x, xi, xii–xiii, 35
macro approach
microfoundations xv, 35, 94
Minsky, Hyman ix, xi, xiii, xvi–xviii, 6, 15, 16, 17, 20–24, 30, 33, 36, 40, 58, 73, 81–4, 92, 117, 118–19, 143, 151, 153, 154, 159, 162–4
analysis of financial instability xvi, 14–24
Minskian triad 17–18, 143, 144
models xv
Modigliani–Miller theorem (1958) 38, 84, 143
monetary
economy 69
theory of production xi, xiv, 23, 70
policy 8, 23, 71, 137, 143, 160, 165, 166–7
v. real interdependence xiv
moral hazards 18
multipliers 166–7

New Keynesians 32, 35, 63, 65, 70–72, 78, 81, 106, 108, 128
Phillips curve 105–6
new synthesis paradigm x, 16, 69, 75, 81
see also neo-classical synthesis models; Phillips curve
neo-classical approach 3, 16, 25, 27, 30, 35, 38, 42, 45, 46, 48–50, 66, 72, 143
synthesis 32–3, 38, 54, 55, 59, 60, 62, 70–72, 87, 104, 164, 167, 173
NAIRU (non-accelerating inflation rate of employment) 60, 86, 104–10, 120, 125, 147
non-linear models 24, 107

oil (shocks) 14
paradox of
saving 28
wealth 26
partial equilibrium 25, 26, 27, 28–9, 32, 33, 46, 48, 64
ceteris paribus assumption 32, 33
‘perfect foresight’ hypothesis 88
Phillips curve xi, xii, 12, 82, 86, 89, 90, 92, 94, 104–14, 119, 120, 139, 147
see also new Phillips curve
physics see statistical physics
Pigou 25, 29, 48, 54, 65, 70, 74, 75
‘effect’ 72, 77
policy xv, 8, 141, 159, 160
v. self-adjustment xvi, 68–78
response to Great Depression 68
Ponzi 16, 17, 22, 40, 109, 144, 163
agents 40
precious metals 26–7
pricing 57–78
Minsky’s dual prices 82
price
effect 18, 19
range 59
‘stickiness’ 58
product and market equations 85–6
production function 28, 48, 49, 51, 52, 74–6, 135, 136, 165
productivity 138–9, 161
rate equation 86
quantitative
  easing policy 20
  theory of money 27
quantity effect 18, 19

rational expectations theory xiii, xiv, 7, 14, 22, 23, 39, 45, 59, 60, 62, 64, 81, 86, 95–100, 105, 107, 120, 125, 143, 167
Real Business Cycles xi, xiv, 4, 24, 32, 35, 45, 49, 59, 81, 160
regime switching xiii–iv, xvii, 7–9, 24, 47, 82, 99, 100, 114, 117–22, 125–7, 129, 133, 134, 139, 141, 143, 154, 162–5, 169, 172
representative agent model 36, 54
risk 19, 20, 25, 30
  ‘counterparty’/ ‘default’ 31
  creditor’s 83
debtor’s 83
  global 31
systemic 25, 30–31
robustness 128, 138, 140, 141, 149, 152
Say’s law 15–16, 45, 75
Schumpeterian approach 3, 5–6, 16, 22, 23, 164
self-adjustment 68–78
sensitivity analysis 89–91, 138, 139, 154, 165
shocks 14, 15
1978 long-term capital management 16
1987 16
1998 16
2001 tech 16
2007 sub-prime markets 16
Asia 16
Mexico 1998 16
Russia 1998 16
oil 14
  see also Stochastic
short run xii, 4, 7, 9, 10–11, 12, 18, 27, 45, 52, 54, 59, 121, 135, 162, 166
simulations xv–xvi, xvii, xii, 3, 13, 82, 89, 100, 111–13, 126, 138, 146, 150–52, 154, 163, 166, 170, 171
methodology 37
speculative finance 17, 20
stability see equilibrium
stagflation 94, 152
statistical physics 37–8
‘steady states’ 124–5, 148–9, 165
Stochastic
  approach 81, 95, 96, 97, 100, 105, 111, 112, 171
  equilibrium 37–8, 59, 62, 169
model 151
shocks 3, 15, 61, 118
switching 119, 143–54
threshold 8
variables 17
stylized facts 9, 10–11, 12
  Kaldorian 9
  labor markets 12
supervenience 61
supply-side considerations 4, 14, 39, 45, 164, 165
symmetric equilibrium 26, 32, 33, 54, 55, 64
  see also neo-classical approach
symmetry hypothesis 53–4, 55, 57, 65, 67, 74, 107
systemic risk see risk
systems analysis 33–4
Taylor rule 87, 124, 139, 141, 146
technology 69, 75–6
  see also Schumpeter’s analysis
time series perspective 119
uncertainty 30, 32, 33
unemployment x, xi, 7, 12, 28, 29, 52, 54, 55, 60, 65, 69, 70, 77, 86, 161
effect of aggregate demand 68–78
  information 69
market structure 69
technology 69, 75–6
transactions 69–74
  see also labor market; NAIRU; wages
unions
  United Auto Workers 8
USA
  income distribution/debt 131
  output growth 11
Index

volatility 6
*see also* business cycles
wages 28, 29, 46–54
discontinuity 47–8
equations 85–6
negotiations 8
Walras 23, 29, 38, 62
‘wealth’ 26–7
wealth effect 50–51