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
ceiling 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
debt 81–4, 131–3, 142, 146, 161
deflation 17
equation 85
deflation 17, 84, 104–14
DGSE (dynamic general stochastic equilibrium)
models 62, 81, 169
dichotomies 3

ECB 18, 19
endogenous explanations 15–16, 21, 81–114
deflation 17
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

Piero Ferri - 9781849809177
Downloaded from PubFactory at 09/16/2023 10:05:50PM
via free access
Macroeconomics of growth cycles

fallacy of composition 25–33
feasible rate of growth 164–5
FIH see financial
accelerator 20, 36, 84, 85, 92, 118, 123, 145
instability hypothesis (FIH) xiii, 14–24, 164, 165
fiscal
multiplier 166–7
policy see monetary policy
floor xiii, 24, 118–19, 154
fluctuations v growth, interdependence xiv
four-quadrant approach 73–4
general equilibrium 25, 26, 27, 29–30, 31, 33, 35, 38, 48, 50, 54, 55, 61, 62, 70, 73, 81, 137
Arrowian 38
see also Walras
General
Motors 8
Theory of macroeconomics (Keynes) xi, xiv, 25, 26, 28, 70, 173
see also Keynes
globalization 117, 120, 121, 128, 133–4, 139–42, 163
gold 26, 27, 119
‘Great Depression’ 13, 14, 15, 21, 27, 46, 68, 73, 77, 117–30, 131, 133, 159, 161, 166, 171
Moderation ix, x, 11, 16, 120, 159
growth cycles xiii, xvi, 3, 4, 5–6, 10, 13, 22, 23–4, 161–2
and labor share 140
dominent growth theory 4–5, 9
model 126–8
see also regime switching
Hamilton model 119
hedge finance 17, 40
heterogeneity 33
Hicks, John ix, xiii, 3, 23–4, 29, 39, 41, 48, 58, 61, 85, 118, 119, 160, 172
‘traverse’ 7, 76
IKE see imperfect
IMF
analysis of recessions 12
imperfect
competition see competition
knowledge economies (IKE) 57, 62, 63, 67
imports 65
income
distribution/share xi, 5–6, 8, 131–42, 152–3, 161
inflation 72, 104–14, 153
equations 86
non-linear equation 107
Phillips curve and 108
‘steady states’ 124–5
instability 15
see also shocks
interdependences xiv–xv
interest rates 87–8
channel 18, 19
see also Taylor rule
investment 8
isomorphism 35–6, 56, 60
Japan 12, 13, 160
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
four quadrants 78
‘hydraulic’ 167, 169, 173
labor market 46–8
liquidity trap 62
short run xii
wages/employment relationship 27–8
see also General Theory; monetary theory of production; New Keynesians; Phillips curve
Knightian uncertainty 22, 30, 32, 143, 172
labor
hoarding xii, 10
market xii, 12, 45–56
equations 85–6
implications of imperfect competition 64–5
see also unemployment
productivity 8
share 131–42, 152
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
transmission channels 18, 19
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 xiv, 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
trends 4
variables 17
stylized facts 9, 10–11, 12
Kaldorian 9
labor markets 12
supermarkets 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
<table>
<thead>
<tr>
<th>Index</th>
<th>195</th>
</tr>
</thead>
<tbody>
<tr>
<td>volatility 6</td>
<td></td>
</tr>
<tr>
<td><em>see also</em> business cycles</td>
<td></td>
</tr>
<tr>
<td>wages 28, 29, 46–54</td>
<td></td>
</tr>
<tr>
<td>discontinuity 47–8</td>
<td></td>
</tr>
<tr>
<td>equations 85–6</td>
<td></td>
</tr>
<tr>
<td>negotiations 8</td>
<td></td>
</tr>
<tr>
<td>Walras 23, 29, 38, 62</td>
<td></td>
</tr>
<tr>
<td>‘wealth’ 26–7</td>
<td></td>
</tr>
<tr>
<td>wealth effect 50–51</td>
<td></td>
</tr>
</tbody>
</table>