BUSINESS CYCLE THEORY

i

]+

-.

 \dot{i}_{j}

•

.~~~

٢

Lutz G. Arnold



CONTENTS

1	Intr	roduction	
	1.1	History of Business Cycle Theory	1
	1.2	Five Schools of Macroeconomic Thought	2
	1.3	Modelling Business Cycles	3
	1.4	Summary	11
		Further Reading	12
<u>, , , , , , , , , , , , , , , , , , , </u>		References	12
2	Key	/nesian Economics	
	2.1	Introduction	14
	2.2	Income Expenditure Analysis	15
	2.3	The Multiplier Accelerator Model	17
	2.4	The Hicks–Fleming–Mundell Model	19
	2.5	The AS–AD model	23
	2.6	Summary ^{ji}	27
		Further Reading	28
		References	28
		Exercises	29
3	Мо	netarism	
	3.1	Introduction	32

ؿ

Contents

.

	3.2	A Basic Monetarist Model	33
	3.3	Further Developments in Monetarism	42
	3.4	Summary	46
		Further Reading	47
		References	47
		Exercises	48
4		w Classical Economics	
	4.1	Introduction	50
	4.1	The Lucas Model	51
	4.3	Further Developments in New Classical Economics	55
	4.4	Summary	66
		Further Reading	67
		References	67
		Exercises	69
5		al Business Cycles	
	- 1	Introduction	74
	5.1		74
	5.2 5.3	Simplest Model The Basic RBC Model	75
			76
	5.4 5.5	Extensions to the Basic RBC Model	86
	5.5	Summary Further Reading	90 91
		References	91
		Exercises	93
		LACICIOUS	3 5

ë

Contents

6	Nev	w Keynesian Economics	
		······································	•••••
	6.1	Introduction	96
	6.2	A Real Business Cycle Model with Balance Sheet Effects	96
	6.3	Digression: A Monetarist Model with Balance Sheet Effects	116
	6.4	Nominal Rigidities	123
	6.5	Sunspots	126
	6.6	Summary	132
		Further Reading	133
		References	134
		Exercises	136
		1	
7	Les	sons About Business Cycles	
		References	145
Α	ppeı	ndix 1 "	
		Stochastic Second-order Difference Equations	147
A	ppei	ndix 2_	
		The Over-investment Theory	155

د

Appendix 3	
A Goodwinian Model	158

1

Index

, ĵ

.

-

~

Ë

х

161