Microeconomic Theory A Dynamic General Equilibrium Approach Second Edition | d3154ea3886f39fc16d951618d3aeff6


This book is a further development of the theory of parametric control. It includes numerical methods of testing (verification) of software implementation of mathematical models by assessing the stability of mappings defined by the model, sufficient conditions for the existence of the solutions of some types of problems of dynamic optimization, the existence of continuous dependence of optimal values of criteria on exogenous functions and parameters, and the existence of points of bifurcation of extremals of such problems. It demonstrates that this theory offers a constructive methodology for middle-term forecasting, macroeconomic analysis and estimation of optimal values of economic characteristics on the basis of advanced global mathematical models, namely Computable General Equilibrium (CGE) Model, Dynamic Stochastic General Equilibrium (DSGE) Model, and Hybrid Econometric model. In addition, it includes conditions for the applicability of the computational experiments' results, into practice.

An investigation of the methodological and epistemological foundations of macroeconomic theory. The author compares the two main alternative research programmes in macroeconomics: that outlined by Keynes in his 'General Theory', and that suggested by Lucas, the leader of the new classical economists. He concludes that a Keynesian conception of macroeconomics as a discipline autonomous from microeconomics and open to theoretical and methodological innovation should be defended.

At a time of renewed interest in Keynes, this volume provides an illuminating and forward-looking collection of papers. They explain the meaning of Keynes's great contribution and also show how that contribution can be developed further for application to modern economic policy issues. Most important, the papers explain the ways in which Keynes's methodological approach is so different from that which continues to dominate mainstream economics and how productive it would be if that approach were applied to our modern experience. O. D. Sheila Dow, University of Stirling, UK O'This book celebrates the 75th anniversary of Keynes's General Theory, which has proved yet again to be an endless source of inspiration. These authors take The General Theory as a point of departure from which to address the problems of today from fresh perspectives. This volume is indeed Keynes for today B and tomorrow. O. D. Victoria Chick, University College London, UK O'Keynes's General Theory for Today is a fine set of thoughtful and highly relevant essays. They relate several ideas of Keynes to today's affairs, putting forward modifications and extensions to take into account both short-term and long-term happenings in advanced capitalistic economies. Especially useful are the investigations of Keynes's reasoning in economics, long abandoned by orthodox economists, to the great detriment of our understanding of what is happening and what may be done about it. These essays should be required reading for students, teachers and policy makers alike. O. D. G. C. Harcourt, University of New South Wales, Australia The themes of this important new volume were chosen to mark the 75th anniversary of the publication of The General Theory of Employment, Interest and Money. The distinguished authors concentrate on the relevance of this seminal publication for macroeconomic theory, method and the politics of today. This is particularly pertinent as similarities with the 1930s are striking in terms of unemployment, low growth, financial fragility and the European monetary union resembling the gold standard. Illustrating new ways of understanding the importance of uncertainty in macroeconomics, particularly in view of the importance of finance and balance of payments imbalances within a monetary union, this book will prove a stimulating and challenging read for academics, researchers and students of macroeconomics, heterodox economics, and the methodology and history of economic thought.

This volume, originally published in 1964, is intended for students of macroeconomic theory and mathematical programming. Part 1 includes critical discussion of debates from the 1950s and 60s in the related fields of income-employment, trade cycles and general prices, with an ultimate view to extending macroeconomic analysis and policy beyond the conventional purview. Part 2 suggests various possible macro applications of mathematical programming techniques to optimization problems, with a secondary view to forwarding the synthesis of aggregative economic theory and multisectoral input-output analysis. Illustrations: 17 line charts, 3 flow charts. Also: Appendices, bibliography, index, & tables. Audience: Adult professional & college text. The premise of this book is that the standard Keynesian framework, relied on by every economist, has serious deficiencies. The aim of this book is to present an alternate macroeconomic theory by which stagnation & inflation may be studied in domestic & international contexts. This book will interest readers interested in macroeconomics. The book briefly summarizes the classical & Keynesian theories & then describes in detail the author's Post Keynesian Macrodynami framework, which the book illustrates using twelve numerical examples, derived from three "back-of-the-envelope" models. The theory in this book is a dynamic equilibrium theory which takes special pains to distinguish between real & nominal, physical & financial, supply & demand, stock & flow, expectations & actual realizations, & long-term & short-term concepts. Michael Alan Salient has a Ph.D. in economics from Stanford & a B.A. in mathematics from Harvard. He has worked for the Department of Agriculture & Treasury & as an independent consultant. He also served in the Peace Corps – Philippines from 1964-66.

Macroeconomic Theory is the most up-to-date graduate-level macroeconomics textbook available today. This book truly offers something new by emphasizing the general equilibrium character of macroeconomics to explain effects across the whole economy, not just part. It is also the perfect resource for economists who need to brush up on the latest developments. Michael Wickens lays out the core ideas of modern macroeconomics with finance, which represents the simplest general equilibrium macroeconomic model for a closed economy, and then gradually develops a comprehensive model of the open economy. Every important topic is covered, including growth, business cycles, fiscal policy, taxation and debt finance, current account sustainability, exchange-rate determination, and an up-to-date account of monetary policy through inflation targeting. Wickens addresses the interrelationships between macroeconomics and modern finance and shows how they affect stock, bond, and foreign-exchange markets. While the mathematics needed for this book is rigorous, the author describes fundamental concepts in a way that helps make the book self-contained and easy to use. Accessible, comprehensive, and wide-ranging, Macroeconomic Theory will become the standard text for students and is ideal for economists, particularly those in government, central and commercial banking, and financial investment. The most up-to-date macroeconomics textbook available today Web-based exercises with answers (June 2008) Emphasis on general equilibrium macroeconomics addresses the whole economy. Latest advances in macroeconomics

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In this book, Jean-Pascal Benassy attempts to integrate into a single unified framework dynamic macroeconomic models reflecting such diverse lines of thought as general equilibrium theory, imperfect competition, Keynesian theory, and rational expectations. He begins with a simple microeconomic synthesis of imperfect competition and nonclearing markets in general equilibrium under rational expectations. He then applies this framework to a large number of dynamic macroeconomic models, covering such topics as persistent unemployment, endogenous growth, and optimal fiscal-monetary policies. The macroeconomic methodology he uses is similar in spirit to that of the popular real business cycles theory, but the scope is much wider. All of the models are solved “by hand,” making the underlying economic mechanisms particularly clear.

Macroeconomics is evolving in an almost dialectic fashion. The latest evolution is the development of a new synthesis that combines insights of new classical, new Keynesian and real business cycle traditions into a dynamic, stochastic general equilibrium (DSGE) model that serves as a foundation for thinking about macro policy. That new synthesis has opened up the door to a new antithesis, which is being driven by advances in computing power and analytical techniques. This new synthesis is coalescing around developments in complexity theory, automated general to specific econometric modeling, agent-based models, and non-linear and statistical dynamical models. This book thus provides the reader with an introduction to what might be called a Post Walrasian research program that is developing as the antithesis of the Walrasian DSGE synthesis.

This book is the scholarly work on money, credit and macroeconomics for the twenty-first century. Nine decades ago Keynes claimed to be writing a work that would “largely revolutionize the way the world thinks about economic problems”. This is a modern day attempt at the same purpose.

What drives innovation and entrepreneurship in India, China, and the United States? Our data-rich and evidence-based exploration of relationships among innovation, entrepreneurship, and economic growth yields theoretical models of economic growth in the context of macroeconomic factors. Because we know far too little about the key characteristics of Chinese and Indian entrepreneurs and the ways they innovate, our balanced, systematic comparison of entrepreneurship and innovation results in a new approach to looking at economic growth that can be used to model empirical data from other countries. The importance of innovation and entrepreneurship to any economy has been recognized since the pioneering work of Joseph Schumpeter. Our analysis of the major factors that affect innovation and entrepreneurship in these three parts of the world – US, China and India – provides a comprehensive view of their effects and their likely futures. Looks at elements important for innovation and entrepreneurship and compares them against each other within the three countries. Places theoretical modeling of economic growth in the context of the overall macroeconomic factors. Explores questions about the relationships among innovation, entrepreneurship and economic growth in China, India and the US.

An advanced treatment of modern macroeconomics, presented through a sequence of dynamic equilibrium models, with discussion of the implications for monetary and fiscal policy. This textbook offers an advanced treatment of modern macroeconomics, presented through a sequence of dynamic general equilibrium models based on intertemporal optimization on the part of economic agents. The book treats macroeconomic equilibrium analysis, examined in terms of a number of models, each of which is suitable for investigating specific issues but may be unsuitable for others. After presenting a brief survey of the evolution of macroeconomics and the key facts about long-run economic growth and aggregate fluctuations, the book introduces the main elements of the intertemporal approach through a series of two-period competitive general equilibrium models—the simplest possible intertemporal models. This sets the stage for the remainder of the book, which presents models of economic growth, aggregate fluctuations, and monetary and fiscal policy. The text focuses on a full analysis of a limited number of key intertemporal models, which are stripped down to essentials so that students can focus on the dynamic properties of the models. Exercises encourage students to try their hands at solving versions of the dynamic models that define modern macroeconomics. Appendixes review the main mathematical techniques needed to analyze optimizing dynamic macroeconomic models. The book is suitable for advanced undergraduate and graduate students who have some knowledge of economic theory and mathematics for economists.

This book tells the story of the search for disequilibrium micro-foundations for macroeconomic theory, from the disequilibrium theories of Patinkin, Clower and Leijonhufvud to recent dynamic stochastic general equilibrium models with imperfect competition. Placing this search against the background of wider developments in macroeconomics, the authors contend that this was never a single research program, but involved economists with very different aims who developed the basic ideas about quantity constraints, spillover effects and coordination failure in different ways. The authors contrast this with the equilibrium, market-clearing approach of Phelps and Lucas, arguing that equilibrium theories simply assumed away the problems that had motivated the disequilibrium literature. Although market-clearing models came to dominate macroeconomics, disequilibrium theories never went away and continue to exert an important influence on the subject. Although this book focuses on one strand in modern macroeconomics, it is crucial to understanding the origins of modern macroeconomic theory.

The tasks of macroeconomics are to interpret observations on economic aggregates in terms of the motivations and constraints of economic agents and to predict the consequences of alternative hypothetical ways of administering government economic policy. General equilibrium models form a convenient context for analyzing such alternative government policies. In the past ten years, the strengths of general equilibrium models and the corresponding deficiencies of Keynesian and monetarist models of the 1960s have induced macroeconomists to begin applying general equilibrium models. This book describes some general equilibrium models that are dynamic, that have been built to help interpret time-series observations of economic aggregates and to predict the consequences of alternative government interventions. The first part of the book describes dynamic programming, search theory, and real dynamic capital pricing models. Among the applications are stochastic optimal growth models, matching models, arbitrage pricing theories, and theories of interest rates, stock prices, and options. The remaining parts of the book are devoted to issues in monetary theory, currency-in-utility-function models, cash-in-advance models, Townsend turnpike models, and overlapping generations models are all used to study a set of common issues. By putting these models to work on concrete problems in exercises offered throughout the text, Sargent provides insights into the strengths and weaknesses of these models of money. An appendix on functional analysis shows the unity that underlies the mathematics used in disparate areas of rational expectations economics. This book on dynamic equilibrium macroeconomics is suitable for graduate-level courses, a companion book, Exercises in Dynamic Macroeconomic Theory, provides answers to the exercises and is also available from Harvard University Press.

This graduate textbook is a “primer” in macroeconomics. It starts with essential undergraduate macroeconomics and develops in a simple and rigorous manner the central topics of modern macroeconomic theory, including rational expectations, growth, business cycles, money, unemployment, government policy, and the macroeconomics of nonclearing markets. The emphasis throughout the book is on both foundations and presenting the simplest model for each topic that will deliver the relevant answers. The first two chapters recall the main workhorses of undergraduate macroeconomics: the Solow-Swan growth model, the Keynesian IS-LM model, and the Phillips curve. The next chapters present four fundamental “building blocks” of modern macroeconomics: rational expectations, intertemporal dynamic models, nonclearing markets and imperfect competition, and uncertainty. Later the book deals with growth, notably the Ramsey model, overlapping generations, and endogenous growth. Chapter 10 moves to the famous “real business cycles.”
This is a book on stochastic dynamic macroeconomics from a Keynesian perspective. It shows that including Keynesian features in intertemporal models considerably contributes to resolve major puzzles arising in the context of the Dynamic General Equilibrium (DGE) model. It also demonstrates that including macroeconomic intertemporal behavior of economic agents in macroeconomics is not inconsistent with Keynesian economics.

The collection aims to bridge cultural and political divisions between free market advocates who stress individual rights and left-leaning thinkers who stress social justice and a culture of solidarity.

Austrian Theory and Economic Organization is a collection of essays on problems and possibilities in economic organization, written by economists and political scientists with an interest in the dynamic and evolutionary nature of market economies. Each chapter explores areas of potential agreement between Austrian theory, market socialist economics, and other heterodox schools of economic and political science.

Jacques Drèze considers uncertainty and incomplete markets and Nobel Laureate Robert Solow relates growth theory to the macroeconomic framework. Other issues examined are the implications for macro-policy between macroeconomics and modern finance and shows how they affect stock, bond, and foreign-exchange markets. In this edition, he also examines issues raised by the most recent financial crisis, and two new chapters explore banks, financial intermediation, and unconventional monetary policy, as well as modern theories of unemployment. There is new material in most other chapters, including macrofinance models and inflation targeting when there are supply shocks. While the mathematics in the book is rigorous, the fundamental concepts presented make the text self-contained and easy to use. Accessible, comprehensive, and wide-ranging. Macroeconomic Theory is the standard book on the subject for students and economists. The most up-to-date graduate macroeconomics textbook available today general equilibrium macroeconomics and the latest advances covered fully and completely. Two new chapters investigate banking and monetary policy, and unemployment. Addresses questions raised by the recent financial crisis Web-based exercises with answers Extensive mathematical appendix for at-a-glance easy reference. This book has been adopted as a textbook at the following universities: American University Bentley College Brandeis University Brigham Young University California Lutheran University California State University - Sacramento Cardiff University Carleton University Colorado College Fordham University London Metropolitan University New York University Northwestern University Ohio University - Main Campus San Diego State University St. Cloud State University State University Of New York - Amherst Campus State University Of New York - Buffalo North Campus Temple University - Main Texas Tech University University of Alberta University Of Notre Dame University Of Ottawa University Of Pittsburgh University Of South Florida - Tampa University Of Tennessee University Of Texas At Dallas University Of Washington University Of Western Ontario Wesleyan University Western Nevada Community College.
analysis are the Lucas critique of policy evaluation due to Robert Lucas, the time inconsistency critique of discretionary policy due to Finn Kydland and Edward Prescott, and the development of quantitative dynamic stochastic general equilibrium models following Finn Kydland and Edward Prescott.

Macroeconomic Theory, in its first edition, was widely adopted for use as a graduate text; this updated and expanded version should find even greater popularity as a text and as a research reference. It has been substantially revised to include three entirely new chapters: The Consumption Function, Government Debt and Taxes, and Dynamic Optimal Taxation. Significant additions have been made to three of the original chapters dealing with difference equations, stochastic difference equations, and investment under uncertainty. Key Features: This book has been substantially revised to include three entirely new chapters on consumption, government debt and taxes, and dynamic optimal taxation. Significant additions have been made to three of the original chapters dealing with difference equations, stochastic difference equations, and investment under uncertainty.

"This book tells the story of the search for non-Walrasian micro-foundations for macroeconomic theory, from the disequilibrium theories of Patinkin, Clower, and Leijonhufvud to recent dynamic stochastic general equilibrium models with imperfect competition. Placing this search against the background of wider developments in macroeconomics, the authors contend that this was never a single research program, but involved economists with very different aims who developed the basic ideas about quantity constraints, spillover effects, and coordination failures in different ways. The authors contrast this with the equilibrium approach of Phelps and Lucas, arguing that equilibrium theories simply assumed away the problems that had motivated the disequilibrium literature. Although equilibrium Walrasian models came to dominate macroeconomics, non-Walrasian theories never went away and continue to exert an important influence on the subject. Although this book focuses on one strand in modern macroeconomics, it is crucial to understanding the origins of modern macroeconomic theory."--

This book presents an introduction to computational macroeconomics, using a new approach to the study of dynamic macroeconomic models. It solves a variety of models in discrete time numerically, using a Microsoft Excel spreadsheet as a computer tool. The solved models include dynamic macroeconomic models with rational expectations, both non-microfounded and microfounded, constituting a novel approach that facilitates the learning and use of dynamic general equilibrium models, which have now become the principal tool for macroeconomic analysis. Spreadsheets are widely known and relatively easy to use, meaning that the computer skills needed to work with dynamic general equilibrium models are affordable for undergraduate students in Advanced Macroeconomics courses.

Broadly defined, macroeconomic forecasting is alive and well. Nonstructural forecasting which is based largely on reduced-form correlations, has always been well and continues to improve. Structural forecasting, which aligns itself with economic theory and hence rises and falls with theory, receded following the decline of Keynesian theory. In recent years powerful new dynamic stochastic general equilibrium theory has been developed macroeconomic forecasting is poised for resurgence.

Modern business cycle theory and growth theory uses stochastic dynamic general equilibrium models. In order to solve these models, economists need to use many mathematical tools. This book presents various methods in order to compute the dynamics of general equilibrium models. In part I, the representative-agent stochastic growth model is solved with the help of value function iteration, linear and linear quadratic approximations, parameterised simulations and projection methods. Fundamentals from numerical analysis are reviewed in detail. In particular, the book discusses issues that are often neglected in existing work on computational methods, e.g. how to find a good initial value. In part II, the authors discuss methods in order to solve heterogeneous-agent economies. In such economies, the distribution of the individual state variables is endogenous. This part of the book also serves as an introduction to the modern theory of distribution economics. Applications include the dynamics of the income distribution across the business cycle or the overlapping generations model. In an accompanying home page to this book, computer codes to all applications can be downloaded.

This volume, a collection of essays by internationally known experts in the area of the history of economic thought and of the economics of Keynes and macroeconomics in particular, is designed to celebrate the 75th anniversary of the publication of The General Theory. The essays contained in this volume are divided into four sections. The first section contains three essays that explore the concept of fundamental uncertainty and its unique role in The General Theory. The second section contains five essays that examine the place of The General Theory in the history of macroeconomics since 1936. The third section contains three essays that explore the interrelationships among Keynes, Friedman, Kaldor, Marx and Sraffa and their approaches to macroeconomic theory and policy. The final section contains four essays that provide several new interpretations of The General Theory and its position within macroeconomics. Keynes's General Theory is intended for those students and scholars who are interested in the economics of Keynes and the rich variety of approaches to macroeconomic theory and policy.

A concise but rigorous and thorough introduction to modern macroeconomic theory. This book offers an introduction to modern macroeconomic theory. It is concise but rigorous and broad, covering all major areas in mainstream macroeconomics today and showing how macroeconomic models build on and relate to each other. The self-contained text begins with models of individual decision makers, proceeds to models of general equilibrium without and with friction, and, finally, presents positive and normative theories of economic policy. After a review of the microeconomic foundations of macroeconomics, the book analyzes the household optimization problem, the representative household model, and the overlapping generations model. It examines risk and the implications for household choices and macroeconomic outcomes; equilibrium asset returns, prices, and bubbles, labor supply, growth, and business cycles; and open economy issues. It introduces friction and analyzes their consequences in the labor market, financial markets, and for investment, studies money as a unit of account, store of value, and medium of exchange, and analyzes price setting in general equilibrium. Turning to government and economic policy, the book covers taxation, debt, social security, and monetary policy: optimal fiscal and monetary policies; and sequential policy choice, with applications in capital income taxation, sovereign debt and default, politically motivated redistribution, and monetary policy biases. Macroeconomic Analysis can be used by first-year graduate students in economics and students in Master's programs, and as a supplemental text for advanced courses.

This textbook offers a unique approach to macroeconomic theory built on microeconomic foundations of monetary macroeconomics within a unified framework of an intertemporal general equilibrium model extended to a sequential and dynamic analysis. It investigates the implications of expectations and of stationary fiscal policies on allocations, on the quantity of money, and on the dynamic evolution of the economy with and without noise. The text contrasts and compares the two main competing approaches in macroeconomics within the same intertemporal model of a closed monetary economy: the one postulating full price flexibility to guarantee equilibrium in all markets at all times under perfect foresight or rational expectations, versus the so-called disequilibrium approach where trading occurs at non-market-clearing prices and wages when these adjust sluggishly from period to period in response to market disequilibrium signals.

Economies are constantly in flux, and economists have long sought reliable means of analyzing their dynamic properties. This book provides a succinct and accessible exposition of modern dynamic (or intertemporal) macroeconomics. The authors use a microeconomics-based general equilibrium framework, specifically the overlapping generations model, which assumes that in every period there are two generations which overlap. This model allows the authors to fully describe economies over time and to employ traditional welfare analysis to judge the effects of various policies. By choosing to keep the mathematical level simple and to use the same modeling framework throughout, the authors are able to address many subtle economic issues. They analyze savings, social security systems, the determination of
This book analyzes the dynamic macroeconomic effects of public capital in industrialized countries. The issue of whether public capital is productive has received a great deal of recent attention. Yet, existing empirical analyses have been limited to a small set of countries. This book presents a new database that provides internationally comparable capital stock estimates for 22 OECD countries for the 1960-2001 period. Building on this database, the book estimates the dynamic effects of public capital using a variety of econometric methods. The results suggest that public capital is productive in OECD countries on average. The theoretical analysis based on a dynamic general equilibrium model shows that the effects of public capital depend crucially on the way the government chooses to finance additional spending.

This book honours Professor John McCombie's retirement by exploring a variety of themes, theories and debates in non-orthodox macroeconomics. With contributions from leading scholars, the book covers diverse ground in economic thought, policy, empirical work and modelling. It demonstrates ongoing presumptions and asks probing questions of topical questions from the increase of income equality to the international variation of productivity investment. This collection will appeal to academics and students with an interest in the history of macroeconomic thinking.

We examine the behavior of international relative prices from the perspective of dynamic general equilibrium theory, with particular emphasis on the variability of the terms of trade and the relation between the terms of trade and net exports. We highlight aspects of the theory that are critical in determining these properties, contrast our perspective with those associated with the Marshall-Lerner condition and the Harberger-Laursen-Metzler effect, and point out features of the data that have proved difficult to explain within existing dynamic general equilibrium models.

Longrun Dynamics is a ground-breaking work that begins where the author's Economics without Time (1993) left off. It employs the inductive method proposed by J.S. Mill to develop a general dynamic theory that integrates the separate disciplines of economic growth, economic fluctuations, and political decision-making. The central feature of this general theory is dynamic demand, which provides both a realist form for the model and a new explanation of macroeconomics variables. The general theory also provides an entirely new basis for policy and is designed to counter the influence of neo-liberalism in economic theory.

This book is a companion volume to Dynamic Macroeconomic Theory by Thomas J. Sargent. It provides scrimmages in dynamic macroeconomic theory—precisely the kind of drills that people will need in order to learn the techniques of dynamic programming and its applications to economics. By doing these exercises, the reader can acquire the ability to put the theory to work in a variety of new situations, build technical skill, gain experience in fruitful ways of setting up problems, and learn to distinguish cases in which problems are well posed from cases in which they are not. The basic framework provided by variants of a dynamic general equilibrium model is used to analyze problems in macroeconomics and monetary economics. An equilibrium model provides a mapping from parameters of preferences, technologies, endowments, and rules of the game to a probability model for time series. The rigor of the logical connections between theory and observations that the mapping provides is an attractive feature of dynamic equilibrium, or rational expectations, models. This book gives repeated and varied practice in constructing and interpreting this mapping.

Suitable for students and researchers seeking coverage of the developments in macroeconomics, this title lays out the core ideas of modern macroeconomics and its links with finance. It presents the simplest general equilibrium macroeconomic model for a closed economy, and then gradually develops a comprehensive model of the open economy.

This graduate textbook is a primer in macroeconomics. It starts from essential undergraduate macroeconomics and develops the central topics of modern macroeconomic theory in a simple and rigorous manner. All topics essential for first year graduate students are covered. These include rational expectations, intertemporal dynamic models, exogenous and endogenous growth, nonclearing markets and imperfect competition, uncertainty, and money. The book also covers real business cycles and dynamic stochastic general equilibrium models, integrating growth and fluctuations, sticky wages and prices, consumption and investment, and unemployment. Lastly, it studies government policy, stabilization, credibility, and the connections between politics and the macroeconomy. Each topic is presented in the simplest model possible while still delivering the relevant answers and keeping rigorous foundations throughout the book. To make the book fully self-contained there is a mathematical appendix that gives all necessary mathematical results.

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