General Equilibrium: Theory And Evidence

This exercise and solutions manual accompanies the main edition of Introduction to Computational Economics Using Fortran. It enables students of all levels to practice the skills and knowledge needed to conduct economic research using Fortran. Introduction to Computational Economics Using Fortran is the essential guide to conducting economic research on a computer. Aimed at students of all levels of education as well as advanced economic researchers, it facilitates the first steps into writing programming language. This exercise and solutions manual is accompanied by a program database that readers are able to download.

The central idea underlying this work is to convert the Walrasian general equilibrium structure (formalized in the 1950s by Kenneth Arrow, Gerard Debreu and others) from an abstract representation of an economy into realistic models of actual economies.

The author develops a continuous-time general equilibrium model in a representative exchange economy with incomplete information. The ASA-NBER survey of professional forecasters and US stock portfolios is used to test this model.

Its Purposes and Limitations

Critical Essays on Economic Theory

THEORY AND EVIDENCE

Dynamic Economics

Theory and Empirical Evidence

International Capital Flows Under Dispersed Information

Bridel (economics, U. of Lausanne, Switzerland) reconstructs the pioneering attempts of Leon Walras (1834-1910) and Vilfredo Pareto (1848-1923) to coordinate money and general equilibrium theory. He argues that the very logic of the original static general equilibrium model excludes the integration of monetary and value theory, shows how money is prevented from playing its essential role as a social institution in allowing monetary exchanges between individuals, and calls for some radical re- thinking about the theoretical construction on which much modern economic theory is based. Annotation copyrighted by Book News, Inc., Portland, OR

A detailed overview of the classical model of general equilibrium theory.

Beginning in the early 1980s, theoretical analyses have incorporated the multinational firm into the microeconomic, general-equilibrium theory of international trade. Recent advances indicate how vertical and horizontal multinationals arise endogenously as determined by country characteristics, including relative size and relative endowment differences, and trade and investment costs. Results also characterize the relationship between foreign affiliate production and international trade in goods and services. In this paper, we survey some of this recent work, and note the testable predictions generated in the theory. In the second part of the paper, we examine empirical results that relate foreign affiliate production to country characteristics and trade/investment cost factors. We also review findings from analyses of the pattern of substitutability or complementarity between trade and foreign production

Evidence from a Computable General Equilibrium Model of Papua New Guinea

Reconciling Theory and Evidence

Dynamics of Commercial Building and Residential Prices

Theory and Experimental Evidence

A General Equilibrium Analysis of International Trade Under Imperfect Competition in Both Product and Labor Markets

A General Equilibrium Analysis of Trade Restrictions Under Imperfect Competition

Emerging markets business cycle models treat default risk as part of an exogenous interest rate on working capital, while sovereign default models treat income fluctuations as an exogenous endowment process with ad-noc default costs. We propose instead a general equilibrium model of both sovereign default and business cycles. In the model, some imported inputs require working capital financing; default on public and private obligations occurs simultaneously. The model explains several features of cyclical dynamics around default triggers an efficiency loss as these inputs are replaced by imperfect substitutes; and default on public and private obligations occurs simultaneously. The model explains several features of cyclical dynamics around deraults, countercyclical spreads, high debt ratios, and key business cycle moments.

Written by one of the key pioneers in the field, this book offers an accessible introduction to general equilibrium theory. Written for undergraduates taking courses in economic theory and modelling who have limited mathematical proficiency, the book fills a gap between forbidding technical expositions and the less rigorous elementary ones.

General EquilibriumTheory and EvidenceWorld Scientific

From Walras to Pareto (1870-1923)

Introduction to Computational Economics Using Fortran

Transition to FDI Openness

Theory and Evidence from the Automobile Trade

A General Equilibrium Model of Sovereign Default and Business Cycles

A General Equilibrium Evaluation

Do minimum wages affect economic outcomes beyond low-skill employment? This paper develops a new model with heterogeneous firms under perfect competition in a Heckscher-Ohlin setting to show that a binding minimum wage raises product prices, encourages substitution away from labor, and creates unemployment. It reduces output and exports of the labor intensive good, despite higher prices and, less obviously, selection in the labor (capital) intensive sector becomes stricter (weaker). Exploiting rich regional variation in minimum wages across Chinese prefectures and using Chinese Customs data matched with firm level production data, we find robust evidence in support of causal effects of minimum wage consistent with our theoretical predictions.

This paper discusses the consequences of introducing imperfectly competitive product markets into an otherwise standard neoclassical growth model. We pay particular attention to the consequences of imperfect competition for the explanation of fluctuations in aggregate economic activity. Market structures considered include monopolistic competition, the 'customer market' model of Phelps and Winter, and the implicit collusion model of Rotemberg and Saloner. Empirical evidence relevant to the numerical calibration of imperfectly competitive models is reviewed. The paper then analyzes the effects of imperfect competition upon the economy's response to several kinds of real shocks, including technology shocks, shocks to the level of government purchases, and shocks that change individual producers' degree of market power. It also discusses the role of imperfect competition in allowing for fluctuations due solely to self-fulfilling expectations.

This paper analyzes equilibrium in a dynamic pure-exchange economy under a generalization of Merton's (1987) investor recognition hypothesis (IRH). Because of information costs, a class of investors is assumed to possess incomplete information, which suffices to implement only a particular trading strategy. The IRH is mapped into corresponding portfolio restrictions that bind a subset of agents. The model is formulated in continuous time, and detailed characterization of equilibrium quantities is provided. The model implies that, all else equal, a risk premium on a less visible stock need not be higher than that on a more visible stock with a lower volatility -- contrary to results derived in a static mean-variance setting. An empirical analysis suggests that a consumption-based capital asset pricing model (CCAPM) augmented by the IRH is a more realistic model than the traditional CCAPM for explaining the cross-sectional variation in unconditional expected equity returns.

Theory and Some Evidence for the Automotive Trade

Classical General Equilibrium Theory

Dynamic General Equilibrium Models with Imperfectly Competitive Product Markets

Trade and Minimum Wages in General Equilibrium

The Flawed Foundations of General Equilibrium Theory

An Application of the Catastrophe Theory in General Equilibrium Theory

Concern about the role and the limits of modeling has heightened after repeated questions were raised regarding the dependability and suitability of the models that were used in the run-up to the 2008 financial crash. In this book, Lawrence Boland provides an overview of the practices of and the problems faced by model builders to explain the nature of models, the modeling process, and the possibility for and nature of their testing. In a reflective manner, the author raises serious questions about the assumptions and judgments that model builders make in constructing models. In making his case, he examines the traditional microeconomics-macroeconomics separation with regard to how theoretical models are built and used and how they interact, paying particular attention to the use of equilibrium concepts in macroeconomic models and game theory and to the challenges involved in building empirical models, testing models, and using models to test theoretical explanations.

Abstract: Empirical studies quantifying the economic effects of increased foreign direct investment (FDI) have not provided conclusive evidence that they are positive, as theory predicts. This paper shows that the lack of empirical evidence is consistent with theory if countries are in transition to FDI openness. Anticipated welfare gains lead to temporary declines in domestic investment and employment. Also, growth measures miss some intangible FDI, which is expensed from company profits. The reconciliation of theory and evidence is accomplished with a multicountry dynamic general equilibrium model parameterized with data from a sample of 104 countries during 1980-2005. Although no systematic benefits of FDI openness are found, the model demonstrates that the eventual gains in growth and welfare can be huge, especially for small countries

General Equilibrium Theory studies the properties and operation of free market economies. The field is a response to a series of questions originally outlined by Leon Walras about the operation of markets and posed by Frank Hahn in the following way: OCyDoes the pursuit of private interest, through a system of interconnected deregulated markets, lead not to chaos but to coherence OCo and if so, how is that achieved?OCO This is always an apt question, but particularly so given the OCyGlobal Financial CrisisOCO that emerged from the operation of market economies in the Americas and Europe in mid to late 2008. The answer that General Equilibrium Theory provides to the Walras-Hahn question is that, under certain conditions coherence is possible, while under certain other conditions chaos, in various forms, is likely to prevail. The conditionality of either outcome is not always well understood OCo neither by proponents of, or antagonists to, the OCyfree market positionOCO. Consequently, this book attempts to show something of what General Equilibrium Theory has to say about the wisdom or otherwise of always relying on OCymarket forcesOCO to manage complex socio-economic systems. Sample Chapter(s). Chapter 1: General Equilibrium Theory: An Overview (138 KB). Contents: General Equilibrium Theory: An Overview; Existence of Equilibrium: Sufficient Conditions; Existence of Equilibrium: Necessary Conditions; Equilibrium and Irreducibility: Some Empirical Evidence; Existence of Equilibrium Under Alternative Income Conditions; Existence of Walrasian Equilibrium in Some NonOCoArrow-Debreu Environments; Uniqueness of Equilibrium; Stability of Equilibrium; Optimality of Equilibrium; Comparative Statics of Equilibrium States; Empirical Evidence on General Equilibrium; General Equilibrium Theory in Retrospect. Readership: Advanced undergraduates and graduate students in economics; economists interested in economic theory."

Relative Price Movements in Dynamic General Equilibrium Models of International Trade

The Modern Equilibrium Theory of Unemployment, Interest, and Assets

Aid as a Booming Sector

General Equilibrium Theory and International Trade

General-equilibrium Approaches to the Multinational Firm

The Investor Recognition Hypothesis in a Dynamic General Equilibrium

This work presents the optimization framework for dynamic economics and treats a number of topics in economics, including growth, macroeconomics, microeconomics, finance and dynamic games. The book also teaches by examples, using concepts to solve simple problems, moving on to general propositions.

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.

After discussing shortcomings in the work of some contemporary theorists, Walker (economics, Indiana U.) offers a new approach to the construction of general equilibrium models. He discusses the meaning of perfect competition and the features of markets that give rise to it, the differences between virtual models and those in which disequilibrium transactions and production occur, the implications of determinacy for modeling, and the dependence of general equilibrium on the path that is followed in disequilibrium. Annotation copyrighted by Book News, Inc., Portland, OR

Exercise and Solutions Manual

A Review of Theory and Evidence

Foundations of the Theory of General Equilibrium

State Uncertainty and the Cross-sectional Returns

A general equilibrium analysis of international trade under imperfect competition in both product and labor markets : theory and evidence

A Nonparametric Estimation of the SURE Model and an Application to a General Equilibrium Model of Trade and Environment

Islands Australia Working paper no. 90/13 of the National Centre for Development Studies. An analysis of the effect of the aid boom on the Papua New Guinean economy. Includes diagrams, tables and a list of the centre's publications relating to Papua New Guinea and the Pacific.

We review recent work comparing properties of international business cycles with those of dynamic general equilibrium models, emphasizing two discrepancies between theory and data that we refer to as anomalies. The first is the consumption/output/productivity anomaly: in the data we generally find that the correlation across countries of output fluctuations is larger than the analogous consumption and productivity correlations. In theoretical economies we find, for a wide range of parameter values, that the consumption correlation exceeds the productivity and output correlations. The second anomaly concerns relative price movements: the standard deviation of the terms of trade is considerably larger in the data than it is in theoretical economies. We speculate on changes in theoretical structure that might bring theory and data closer together.

The current monograph compares the predictions of various dynamic stochastic general equilibrium (DSGE) models with a view to developing an improved understanding of observed fluctuations in small open economies. An analytical framework, synthesising both neoclassical and Keynesian approaches, is proposed resulting in the construction of four different DSGE models, the predictions of which can be tested in the context of any small open economy. For definiteness, the current research focuses exclusively on the two small open economies of UK and Canada. A DSGE model with full price and wage flexibility is initially constructed and then modified through nominal wage and price rigidities. The ability of the models to replicate important features of the business cycle activity in UK and Canada is explored through statistical and econometric analysis. Evidence suggests that a monetary shock under a Taylor model with price stickiness can replicate a significant portion of the business cycle activity in both UK and Canada.

Capitalism Versus Pragmatic Market Socialism

Optimization by the Lagrange Method

Money and General Equilibrium Theory

Model Building in Economics

Advanced Microeconomic Theory

Theory and Empirical Evidence on the Ecology Versus Economy Debate

Dissatisfied with the explanations of the business cycle provided by the Keynesian, monetarist, New Keynesian, and real business cycle schools, Edmund Phelps has developed from various existing strands-some modern and some classical--a radically different theory to account for the long periods of unemployment that have dogged the economies of the United States and Western Europe since the early 1970s. Phelps sees secular shifts and long swings of the unemployment rate as structural in nature. That is, they are typically the result of movements in the natural rate of unemployment (to which the equilibrium path is always tending) rather than of long-persisting deviations around a natural rate itself impervious to changing structure. What has been lacking is a "structuralist" theory of how the natural rate is disturbed by real demand and supply shocks, foreign and domestic, and the adjustments they set in motion. To study the determination of the natural rate path, Phelps constructs three stylized general equilibrium models, each one built around a distinct kind of asset in which firms invest and which is important for the hiring decision. An element of these models is the modern economics of the labor market whereby firms, in seeking to dampen their employees' propensities to quit and shirk, drive wages above market-clearing levels-the phenomenon of the "incentive wage"--and so generate involuntary unemployment in labor-market equilibrium. Another element is the capital market, where interest rates are disturbed by demand and supply shocks such as shifts in profitability, thrift, productivity, and the rate of technical progress and population increase. A general-equilibrium analysis shows how various real shocks, operating through interest rates upon the demand for employees and through the propensity to quit and shirk upon the incentive wage, act upon the natural rate (and thus equilibrium path). In an econometric and historical section, the new theory of economic activity is submitted to certain empirical tests against global postwar data. In the final section the author draws from the theory some suggestions for government policy measures that would best serve to combat structural slumps.

This book, as the title suggests, explains how General equilibrium, the dominant conceptual framework in mainstream economics, describes a perfectly impossible world. Even with its counterfactual assumptions taken for granted, it fails on many levels. Under the impressive editorship of Ackerman and Nadal, this book will appeal to students and researchers in economics and related social science disciplines.

This advanced economics text bridges the gap between familiarity with microeconomic theory and a solid grasp of the principles and methods of modern neoclassical microeconomic theory.

General Equilibrium

Theory, Evidence, and Policy Implications

Advances in General Equilibrium Theory

Studies in the General Equilibrium Theory of Money and Transaction Costs

International Trade and Labor Markets

A General Equilibrium Theory and Evidence

Capitalism versus Pragmatic Market Socialism: A General Equilibrium Evaluation contains important contributions both to general economic theory and to the evaluation of potential market socialist economic systems. As a contribution to economic theory, the general equilibrium model utilized in the research introduces the concept of `capital management effort' as a third primary factor of production (in addition to labor and saving) provided by private households. Capital management effort represents such things as corporate supervision, investment analysis, entrepreneurship, and related activity by the household which is intended to increase the rate of return on its capital wealth. As a contribution to the evaluation of market socialism, this research sheds powerful illumination on the potential performance of a specific variant of market socialism known as `pragmatic market socialism'. Pragmatic market socialism is a plan of market socialism designed to work `almost exactly' like contemporary capitalism. The key differences would be the enforcement of a profit incentive on the publicly owned corporations by an agency designated the Bureau of Public Ownership, and the distribution of the preponderance of capital property return produced by the publicly owned corporations as a social dividend supplement to the household's wage and salary income. The analysis reported in this book shows precisely under what conditions pragmatic market socialism would perform better than capitalism, and under what conditions the opposite would be true. The fundamental implication forthcoming from the research is that the potential performance of pragmatic market socialism relative to capitalism is an empirical rather than a theoretical question.

We develop a new theory of international capital flows based on dispersed information across individual investors. There is extensive evidence of information heterogeneity within and across countries, which has proven critical to understanding asset price behavior. We introduce information dispersion into an open economy dynamic general equilibrium portfolio choice model, and emphasize two implications for capital flows that are specific to the presence of dispersed information. First, gross and net capital flows become partially disconnected from publicly observed fundamentals. Second, capital flows (particularly gross flows) contain information about future fundamentals, even after controlling for current fundamentals. We find that these implications are quantitatively significant and consistent with data for industrialized countries.

Applying General Equilibrium

General Equilibrium Stock Index Futures Prices

International Business Cycles

Evidence from Uruguay

Financing of Public Goods Through Taxation in a General Equilibrium Economy

Structural Slumps