

## Table of Contents

### Chapter 1 On the theory of the economy as a whole: purpose and outline of this study

1.1	Introduction	1
1.2	Keynes' economics and general equilibrium theory	4
1.3	The neoclassical synthesis	6
1.4	The microfoundations debate	8
1.5	New classical and new Keynesian economics	9
1.6	Purpose and outline of this study	14

### Chapter 2 Flexprice models of economic fluctuations

2.1	The principles of flexprice equilibrium theory	16
2.2	Macroeconomic flexprice equilibrium theory and the explanation of cyclical variations	
2.2.1	Introduction	21
2.2.2	Monetary business cycle theory	22
2.2.3	Some critical observations	26
2.2.4	Real business cycle models	29
2.3	Some final observations	36

### Chapter 3 Fixprice models and economic fluctuations

3.1	Introduction	38
3.2	The concepts of non-Walrasian general equilibrium theory	39
3.3	Fixprice macroeconomics	44
3.4	More dynamics	
3.4.1	Physical capital accumulation	56
3.4.2	Expectations	59
3.5	Conclusions	63

## Chapter 4 Trade without an auctioneer and economic fluctuations

4.1	Introduction	65
4.2	Real wage rigidities	
4.2.1	Implicit contract theory	66
4.2.2	Efficiency wage theory	72
4.3	Commodity price rigidities	
4.3.1	Stocks	76
4.3.2	Menu costs and near-rational behaviour	77
4.3.3	Imperfect information	80
4.4	More markets	
4.4.1	Conjectural equilibria	85
4.4.2	Macroeconomic approaches	88
4.5	Coordination failures and indeterminacies	93
4.6	Some final observations	97

## Chapter 5 Unemployment equilibria, efficiency wages and kinked demand curves

5.1	Introduction	100
5.2	Household behaviour	101
5.3	The behaviour of firms	105
5.4	The effectiveness of policy	108
5.5	The effectiveness of policy with rigid prices	110
5.6	Some final observations	116

## Chapter 6 A macroeconomic model of adjustment

6.1	Introduction	117
6.2	The introduction of time in the analysis	119
6.3	Transactions and other characteristics	122
6.4	Household behaviour	
6.4.1	Introduction	126
6.4.2	The households' decision problem	127
6.4.3	Household behaviour in the absence of demand constraints in previous periods	131

6.4.4	Household behaviour in a situation of excess commodity demand in the preceding period	133
6.5	Firm behaviour	
6.5.1	Introduction	136
6.5.2	Firms' expectations concerning the demand for goods	136
6.5.3	Constraints on production and sales	139
6.5.4	Producers' current-period decisions on employment and commodity supply	140
6.5.5	Firms' investment behaviour	146
6.6	The behaviour of banks and the government sector	
6.6.1	The government sector	151
6.6.2	The banking system	153
6.7	Transactions in the commodity and labour market	154

## Chapter 7 A macroeconomic model of adjustment: some illustrative processes

7.1	Introduction	157
7.2	The bench-mark simulation	
7.2.1	Introduction	159
7.2.2	A bench-mark projection	161
7.3	The impact of different tax policies and expenditure policy	
7.3.1	Tax policies	184
7.3.2	Expenditure policy	207
7.4	The impact of expected inflation	215
7.5	Some final observations	231

<b>Chapter 8 Summary and conclusions</b>	233
<b>8.1 Summary</b>	237
<b>8.2 Conclusions</b>	
	239
<b>List of symbols</b>	
	246
<b>References</b>	
	260
<b>Samenvatting</b>	