

## CONTENTS

Page

### 1. THE NEED FOR A NONLINEAR THEORY OF ECONOMIC DYNAMICS

1.1	Introduction	1
1.2	Early Nonlinear Theories	3
1.3	Development of the Theory of Dynamical Systems	5
1.4	Problems in the Current State of Economic Dynamics	7

### 2. THE THEORY OF DYNAMICAL SYSTEMS

2.1	Introduction	11
2.2	Existence and Uniqueness Results	11
2.3	The Linear System $\dot{x} = Ax$	12
2.4	Nonlinear Systems on the Plane	17
2.5	Analysis of Limit Cycles	22
2.6	Relaxation Oscillations	28
2.7	Higher Dimensional Nonlinear Systems	32
Appendix 2.1		38

### 3. A NEW LOOK AT SOME OLD ENDOGENOUS CYCLE THEORIES

3.1	Introduction	39
3.2	A General Model of Multiplier- Accelerator Interactions	40
3.3	Goodwin's Nonlinear Accelerator Model	43
3.4	A Saturation Type Nonlinear Accelerator	50
Appendix 3.1		53
Appendix 3.2		53

**4 ANALYSIS OF THE EFFECTS OF TIME LAGS AND  
NONLINEARITIES IN MACROECONOMIC MODELS  
INCORPORATING THE GOVERNMENT BUDGET RESTRAINT**

4.1	Introduction	55
4.2	Specification of the Model	56
4.3	Dynamic Behaviour of the Model	62
Appendix 4.1		67
Appendix 4.2		68

**5 LIMIT CYCLES IN HIGHER DIMENSIONS - THE EFFECT  
OF TIME LAGS ON GOODWIN'S MODEL OF CYCLICAL GROWTH**

5.1	Introduction	70
5.2	The Goodwin Model with a Time-Lag	71
5.3	Local Stability Analysis	73
5.4	Approximation of the Limit Cycle	75
5.5	Discussion	79
Appendix 5.1		81
Appendix 5.2		82
Appendix 5.3		82
Appendix 5.4		83
Appendix 5.5		84
Appendix 5.6		84
Appendix 5.7		85

**6 THE COBWEB MODEL: ITS INSTABILITY AND  
THE ONSET OF CHAOS**

6.1	Introduction	86
6.2	The Nonlinear Cobweb Model	87
6.3	Discrete Time Dynamics	90
6.4	Period Doubling to Chaos	93
6.5	Onset of Chaos in the Cobweb Model	96
6.6	Discussion	98

<u>7</u>	<u>PERFECT FORESIGHT MODELS AND THE DYNAMIC INSTABILITY PROBLEM FROM A HIGHER VIEWPOINT</u>	
7.1	Introduction	100
7.2	The Basic Nonlinear Model of Monetary Dynamics	102
7.3	The Naive Dynamics of the Perfect Foresight Case; $\tau = 0$	105
7.4	The Dynamics of the Adaptive Expectations Case; $\tau > 0$	108
7.5	Adaptive Expectations as $\tau \rightarrow 0^+$	111
7.6	The Discrete Time Model of Monetary Dynamics	116
7.7	Discussion	124
Appendix 7.1		127
Appendix 7.2		128
Appendix 7.3		130
Appendix 7.4		132
Appendix 7.5		133
Appendix 7.6		135
<u>8</u>	<u>CONCLUSIONS AND FURTHER DEVELOPMENTS</u>	137
	<u>REFERENCES</u>	141