

Table of Contents

Introduction	1
Chapter I The Growth Path	5
A. Allocation under Full Employment	8
A.1. Supply Forces	8
A.2. Combination with Demand Forces	14
A.3. International Market Forces	15
B. Allocation with Underemployment	17
Chapter II On Aggregate Stability Of Closed and Open Economies	21
A. The Closed Economy	21
A.1. Reasons for Inflexible Prices	22
A.2. Effect of Money and Securities	23
A.3. The Alternative of Flexible Prices	25
A.4. Neoclassical Views on Prices and Wages, Factor Substitution, and Some Evidence	26
B. The Open Economy	30
B.1. Real Disturbances	30
B.2. Financial Disturbances	35
B.2.a. Trade Impediments and the Adjustment of the Trade Balance	35
B.2.b. Financial Shocks	40
B.3. Induced Capital Flow as a Corrective	41
C. Concluding Remarks	43

Chapter III Underutilized Resources	45
A. The Case of Full Complementarity	46
A.1. Analysis of Parameter Changes	46
A.2. Consequence of an Exchange-Rate Variation	54
A.2.1. External Terms of Trade Independent	55
A.2.2. Terms of Trade Varying with Exchange-Rate	58
A.3. Trade Balance Change through Income Adjustments	63
B. An Economy with Mixed Forms of Production	66
C. Concluding Remarks	71
Chapter IV Risk Averse, Time Optimizing Behavior Of Households: Comparison With German Microcensus Data	72
A. A Risk-Averse Time-Optimizing Model	75
B. Comparison with Some Evidence	82
C. Concluding Remarks	94
Chapter V Investment Behavior In An Open Economy	97
A. Price, Output, and Factor-Combination Decisions of the Firm	97
B. Investment Decisions	100
C. The Investment Function in Three Sectors	105
D. Changing Investment under Full Employment	115
E. Risk Aversion and Risk Avoidance	117
Chapter VI The Labor Market And Wage Determination	122
A. The Wage Rate Endogenous	127
B. The Wage Rate as Exogenous Variable	129
C. Money Wages and the Rate of Inflation	132
D. Real Wage Determination under Full Employment	135
E. Summary	141

Chapter VII The Market For Financial Assets And Monetary Policy	143
A. Characterization of the Monetarist View	150
Chapter VIII Growth Once More: Income And Claims To Wealth	156
A. Claims to Wealth	156
B. Growth of Public Debt and Debt Service	159
C. External Claims	164
D. The International Exchange of Assets	170
Subject Index	175
Author Index	177
Bibliography	178