

Index

- Adjustment cost, 229, 231, 242, 243, 248
- Admissibility, 282, 285
 - common knowledge of, 283
 - iterated, 282, 283
- Admissible action(s), 282, 285–287
- Adverse selection, 153, 159
- Aggregate investment, 486
- Aggregate production, 475, 477
- Aggregate productivity, 486
- Aggregate productivity shock, 482
- Aggregate risk, 475, 488, 496
- Aggregate savings, 480
- Aggregates, 475
 - endogenous, 475, 476
- Allocation mechanism(s), 532
 - pareto efficient, 544
- Asset market, 493
- Asset prices, 498
- Asset redundancy, 465
- Assets, structure of, 493

- Backward induction, 219–221
- Belief, second-order, 216
- Bellman functional equations, 47
- Big-ticket items, 75, 76
- Budget constraints, 529

- Capital markets, perfect, 527–529, 532, 556, 557
- Cash in advance, 501, 502
- Choice, 266
- Choice theory, 278
- Clark, J. B., 371, 373, 394, 395, 399
- Common knowledge, 282
 - approximate, 283
 - of first order, 283, 286, 287
- Complete market(s), 566
 - optimum, 566, 571, 573, 574, 576
- Complexes, 305, 307
 - of type 1, 309
 - of type 2, 309
- Complexity, 303, 304, 306, 308, 312
- Conditional preference, 267, 271
- Conjectural dynamic model, 242, 243, 251
- Conjectural function(s), 235, 236
- Conjectural models, 229
- Conjectural response functions, 230, 231
- Conjectures, 228–233, 235, 237–239, 241, 243, 244, 252
 - dynamic treatment of, 253
- Contingencies, 258, 263–267, 269–271, 274–277
 - foreseeable, 272
 - unforeseen, 258–261, 264–266, 268, 273, 274, 278
- Contingency, 268
- Contingent utility, 272
- Coordination failure, 43
- Coordination game, 32
- Coordination problem, 19, 20, 43, 58
- Coordination of wage demands, 33
- Crazy perturbation(s), 225, 226
- Credibility, 340–344, 346, 349
- Credit
 - ceiling(s) on, 529, 551–553, 555
 - rationing of, 529, 532, 550, 556, 557

- Default, 527, 528, 530–532, 537, 553, 557
- Distributive shares, 12
- Dynamic consistency, 341–344, 346
- Dynamic matching, 184, 186
- Dynamic programming, 45

- Edgeworth, 397, 398
- Efficiency
 - criteria for, 510
 - ex ante, 510
 - ex post, 510
- Efficiency units, 146
- Efficiency wage(s), 82, 88, 141–144, 148, 150
- Environmental degradation, 624, 625
- Equilibria
 - rational conjectural, 238
 - rational-expectations, 343, 445
 - screening, 155, 157
 - two-state Markov, 507–509, 511, 514, 515, 517, 519, 520, 523
- Equilibrium
 - bettor's, 607, 611
 - conjectural, 228, 231, 232, 236–238, 243, 245, 246
- Cournot, 50, 51
 - dynamic conjectural, 244, 245, 248, 249, 251
 - dynamic rational conjectural, 246
 - dynamic temporary, 291
 - multiplicity, 52
 - feedback Nash-Cournot, 343, 344, 346, 347, 350, 358, 359, 361
 - feedback Stackelberg, 343, 344, 346, 347, 350, 358, 361
 - open-loop, 350
 - open-loop Nash-Cournot, 342–344, 358, 359
 - open-loop Stackelberg, 342–344, 348

- Equilibrium (cont.)
 pooling, 151, 155, 199
 quick response, 253
 rational conjectural, 228, 235, 242
 rational-expectations, 184, 291–293, 295
 rational-expectations Nash, 24, 28
 rational-expectations Stackelberg, 346, 347, 350, 353, 358
 search, 184
 separating market, 151
 symmetric industry, 49
 symmetric Nash, 28
 temporary, 291
 Ergodic probability distribution, 604
 Exhaustible resource, 340
 Expectations, 291
- Feasibility, 531, 538
 physical, 539, 540
 Feasible allocation, 533, 538
 Feasible outcomes, 530
 Focal points, 33
- Gambling, recreational, 605
 Game theory, 19, 214
 Garbling, 169, 172–175
 quasi-, 172–174
- Human rights, 626
- Inada conditions, 45, 48, 50
 Income distribution, 15
 ergodic, 604–605
 Incomplete market(s), 562, 565, 568
 economies with, 561
 optimal tax problem, 567
 optimum, 568, 569, 571, 574, 576, 577
 Increasing returns, 43
 Indeterminacy, 445
 Inflation, 512, 517, 520
 benefits of, 513, 523
 costs of, 512, 523–524
 Information, 169–171, 494
 asymmetric, 107, 108, 114, 125
 full, 136, 143
 imperfect, 130, 140
 perfect, 138, 146, 158
 private, 530–533, 556
 state(s), 215–218, 221, 223
 structure, 479, 493
 symmetric, 114
 system, 215–218, 221, 225
 theoretic models, 159
- Informational efficiency 184, 185, 187, 188, 192, 197, 198, 200
 Informational equivalence, 169, 170, 173, 175, 178–180
 Insurance incomplete, 116
 Insured unemployment, 96–98, 101
 Intergenerational transfers, 70
 Investment, allocation of, 480, 481
 Investment decisions, 477
 Irrationality, 214, 218, 222–225
 expected, 223, 224
 measuring, 223
 Irredundant, 176–178
- Johnson and Layard, 86–88, 90
- Kaldor, N., 3
 Kaldorian, 6
 Keynes effect, 23
 Keynesian inefficiency, 511
 Keynesian multiplier, 113
 Keynesian stabilization, 125
- Labor market, 82
 dual, 82, 90
 Law of large numbers, 475–477, 479, 481, 482, 489, 498
 Law school, 588, 596, 598, 599
 Lawyers, 587, 588, 590, 591, 599
 Learning, 293, 299, 303, 311
 agent, 294, 295, 297
 of a complex price process, 308
 process, 296
 rationality of, 297, 298
 Legal education, 590, 593
 Lexicographic probabilities, 282, 283
 Lexicographic probability system, 284
 Living standards, 621–623, 629
 Lucas-Azariadis equation, 445, 448
 Lucas-Azariadis model, 445, 446
 Lucas-Azariadis solution, 448, 450, 456, 457, 460
- Magnification effect, 71
 Marginal productivity, 370, 371, 375, 377
 Marginal-productivity distribution, 375, 377, 380, 395
 Marginal-productivity equilibrium, 383–385, 393, 395–397
 Metzler matrices 180, 181
 Money, value of, 407, 408, 413, 424
 Monitoring, 532, 533, 539, 544, 545
 endowment, 534

- Monitoring (cont.)
 - function, 536
 - signal, 537, 540
- Moral hazard, 528, 531, 532
- Multiple equilibria, 43, 54
- Multiplier, 114, 115
- Mutual knowledge, 218, 225, 226

- Neutrality, 448
- Neutrality hypothesis, 449
- Neutrality requirement, 457
- Nominal rigidities, 19
- Non-neutral solutions, 457
- Non-neutrality, 460

- One-sector general-equilibrium model, 4–10
- Optimality, 341
- Optimum quantity of money, 501
- Overlapping-generations models, 67

- Penalties
 - bankruptcy, 420, 421, 424
 - endogenous, 416
 - general, 422, 425
 - infinite, 415
 - nominal, 416, 419, 420, 425, 426, 440
 - real, 416, 419, 420, 422, 424, 440
- Permissible actions, 286, 287
- Players
 - necessary, 324
 - superfluous, 325
- Policies
 - fiscal, 107, 117, 125, 506
 - monetary, 502, 516, 517, 523
 - optimal, 122, 125
 - tax, 116
- Poverty, 621
- Price setting, 186, 196, 201
- Production fluctuations, 107
- Profit-center game, 316, 320, 322
- Profit centers, 316, 317

- Qualities, 130, 131, 158
- Quality, 149, 151, 159
- Quality of life, 624, 626, 627
- Quality-wage relationship, 133, 135, 138
- Quantitative measures, 622
- Queue(s), 128, 132, 135, 150, 158

- Rational conjecture, 236
- Rational expectations, 185, 449, 461
- Rationality, 214, 217, 218, 220, 221, 228, 229, 232, 234–236, 238, 241, 242, 245, 251

- bounded, 230
- conditions, 242, 245, 247
- hypothesis, 215
- mutual knowledge of, 219, 226
- sequential, 229, 239
- Rationalizability, 284
- Real balances, 501–503, 512, 519
- Recursive dynamic problem, 47
- Redundancy, 470, 471
- Redundant assets, 469
- Repeated game(s), 228, 229, 239
- Risk, 477
 - tolerance of, 602–604, 608, 616

- Saving
 - aggregate, 67
 - private, 70
 - rate of, 11, 15
 - response(s), 68, 71
 - social security, 74
 - target, 74, 75, 77
- Saving functions, 67
- Screening device(s), 128, 132, 146
- Search, 184–186, 196, 197, 199, 201, 203, 206
- Shapely, L., 394
- Shirking, 89–91, 96
- Shock(s)
 - aggregate, 107, 119
 - aggregate productivity, 489–491, 493, 496, 497
 - to demand, 118
 - idiosyncratic, 107
 - individual, 477
 - productivity, 476, 477, 480, 488
 - temporary, 43
- Signal(s), 169–171, 173, 175, 178–180
 - informational equivalence of, 169
- Social class, 15
- Social security, 70, 73, 82
- Sunspot(s), 465, 466, 468, 469
- Sunspot equilibria, 465, 467, 468, 470, 471
- Sunspot signals, 465
- Sure thing principle, 264, 266
- Surmise, 216
- Symmetric oligopoly, 49
- Symmetry, 49

- Taxation
 - commodity, 562
 - lump-sum, 562
 - optimal, 561, 563, 568
- Transfer price, 316, 317, 326, 332

- Uncertainty, 169
- Underemployment, 43
- Unemployment
 - benefits, 85
 - compensation, 86
 - insurance, 82, 83, 96
 - uninsured, 96, 98
- Vacancies, 87, 92, 93, 95
- Value, theory of, 370, 372, 374, 376
- Wage discrimination, 148
- Wage setting, 19–21
 - nominal, 25
 - real, 27
- Wage share, 10, 12
- Well-being
 - determinants of, 621
 - socio-economic constituents of, 632
 - socio-economic indicators of, 626, 627
- Wicksteed, P. H., 370, 373, 374, 377–380, 396, 398, 399
- Wolinsky, A., 184–186, 201, 202, 205–207