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Price dynamics in equilibrium models

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An important unresolved problem in economic theory is the question how the economy gets to an equilibrium. This book considers, for some well-known equilibrium models such as the general equilibrium model, overlapping generations models and Cournot and Bertrand oligopoly models, different price or quantity adjustment processes that might force the economy to settle down to such an equilibrium. Two features of the adjustment processes play an important role in this book. Firstly, for most of the models studied in this book the paradigm of rational agents is abandoned. Instead, the focus is on bounded rational agents who behave according to simple rules of thumb or use statistical techniques in order to make some inferences about their economic environment. Secondly, since most models lead to highly nonlinear dynamical systems describing the evolution of economic variables, recently developed methodology of nonlinear dynamics is applied. It appears that instability and periodic or even chaotic behaviour is a generic feature of adjustment processes in economic equilibrium models.

Jan Tuinstra (1970) studied econometrics at the University of Groningen.

He entered the University of Amsterdam as a research assistant in 1995 to work on the dynamics of nonlinear price adjustment processes. Currently he is working as a postdoctoral researcher at the Center for Nonlinear Dynamics in Economics and Finance (CeNDEF) at the Department of Economics at the University of Amsterdam. His main interests include nonlinear economic dynamics, models of bounded rationality and political economy.

