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INDETERMINACY IN DISCRETE-TIME INFINITE-HORIZON MODELS

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September 2006

DT-GREQAM

Indeterminacy in discrete-time infinite-horizon models

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Abstract: *We present a survey of the main conditions for the occurrence of indeterminacy in discrete-time infinite-horizon models with technological external effects. One-sector models are characterized by global external effects coupled with increasing social returns. We will show that indeterminacy of equilibria is fundamentally based on the consideration of endogenous labor demand and externalities coming both from capital and labor. Most of the two-sector models are characterized by constant returns to scale at the social level. We will show that depending on whether external effects are sector-specific or intersectoral, some simple but different conditions on capital intensity differences across sectors generate indeterminate equilibria.*