

# Economics & Philosophy

## Editors

Richard Bradley, *London School of Economics, UK*

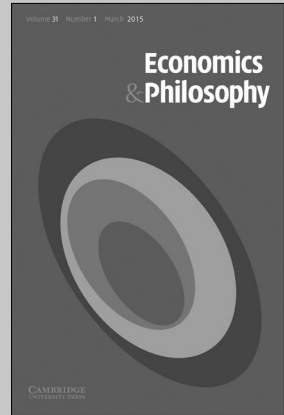
Marco Mariotti, *Queen Mary, University of London, UK*

Fabienne Peter, *University of Warwick, UK*

Erik Schokkaert, *Katholieke Universiteit Leuven, Belgium*

Alex Voorhoeve, *London School of Economics, UK (Book Review Editor)*

The disciplines of economics and philosophy each possess their own special analytical methods, whose combination is powerful and fruitful. Each discipline can be enriched by the other. *Economics & Philosophy* aims to promote their mutual enrichment by publishing articles and book reviews in all areas linking these subjects. Topics include the methodology and epistemology of economics, the foundations of decision theory and game theory, the nature of rational choice in general, historical work on economics with a philosophical purpose, ethical issues in economics, the use of economic techniques in ethical theory, and many other subjects.



## *Economics & Philosophy*

is available online at:  
<http://journals.cambridge.org/eap>

## To subscribe contact Customer Services

### in Cambridge:

Phone +44 (0)1223 326070

Fax +44 (0)1223 325150

Email [journals@cambridge.org](mailto:journals@cambridge.org)

### in New York:

Phone +1 (845) 353 7500

Fax +1 (845) 353 4141

Email

[subscriptions\\_newyork@cambridge.org](mailto:subscriptions_newyork@cambridge.org)

## Free email alerts

Keep up-to-date with new  
material – sign up at

[journals.cambridge.org/eap-alerts](http://journals.cambridge.org/eap-alerts)

For free online content visit:  
<http://journals.cambridge.org/eap>



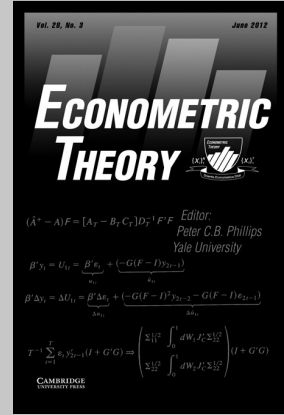
**CAMBRIDGE**  
UNIVERSITY PRESS

# Econometric Theory

## Editor

Peter C. B. Phillips, *Cowles Foundation for Research in Economics, Yale University, USA*

*Econometric Theory* is an international journal dedicated to advancing theoretical research in econometrics. The journal provides an authoritative, centralized, professional outlet for original contributions in all of the major areas of econometrics. As well as periodic book reviews and articles that embody original theoretical research, the journal publishes historical studies on the evolution of econometric thought and on major scholars. *Econometric Theory* also serves an educational role by the inclusion of an on-going 'Problems and Solutions' series and by 'ET Interviews' with pre-eminent scholars in the field.



## *Econometric Theory*

is available online at:  
<http://journals.cambridge.org/ect>

## To subscribe contact Customer Services

### in Cambridge:

Phone +44 (0)1223 326070  
 Fax +44 (0)1223 325150  
 Email [journals@cambridge.org](mailto:journals@cambridge.org)

### in New York:

Phone +1 (845) 353 7500  
 Fax +1 (845) 353 4141  
 Email  
[subscriptions\\_newyork@cambridge.org](mailto:subscriptions_newyork@cambridge.org)

## Free email alerts

Keep up-to-date with new material – sign up at

[journals.cambridge.org/register](http://journals.cambridge.org/register)

For free online content visit:  
<http://journals.cambridge.org/ect>



**CAMBRIDGE**  
UNIVERSITY PRESS

# Environment and Development Economics

Published in association with the Beijer Institute of Ecological Economics, Royal Swedish Academy of Sciences

## Editors

Eswaran Somanathan, Indian Statistical Institute, Delhi, India

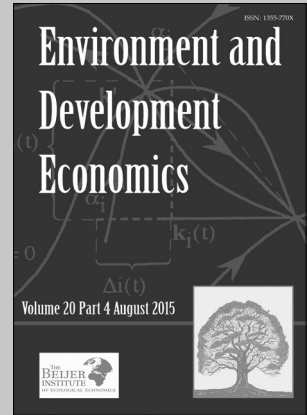
*Environment and Development Economics* is positioned at the intersection of environmental, resource and development economics. The Editor and Associate Editors, supported by a distinguished panel of advisors from around the world, aim to encourage submissions from researchers in the field in both developed and developing countries. The journal is divided into two main sections, Theory and Applications, which includes regular academic papers and Policy Options, which includes papers that may be of interest to the wider policy community. *Environment and Development Economics* also publishes Policy Fora (discussions based on a focal paper) and Book Reviews. From time to time the journal publishes special issues based on a particular theme.

## Price information

is available at: <http://journals.cambridge.org/ede>

## Free email alerts

Keep up-to-date with new material – sign up at <http://journals.cambridge.org/alerts>



## *Environment and Development Economics*

is available online at:  
<http://journals.cambridge.org/ede>

## To subscribe contact Customer Services

### in Cambridge:

Phone +44 (0)1223 326070  
Fax +44 (0)1223 325150  
Email [journals@cambridge.org](mailto:journals@cambridge.org)

### in New York:

Phone +1 (845) 353 7500  
Fax +1 (845) 353 4141  
Email  
[subscriptions\\_newyork@cambridge.org](mailto:subscriptions_newyork@cambridge.org)

For free online content visit:  
<http://journals.cambridge.org/ede>



**CAMBRIDGE**  
UNIVERSITY PRESS

# MACROECONOMIC DYNAMICS

## Notes for Contributors

**Contributions.** Contributions are welcome from all countries. They should be written in English.

**Aims and Scope/Editorial Policy.** *Macroeconomic Dynamics* publishes research of the highest theoretical, empirical or quantitative sophistication. Papers of high quality are welcomed from all areas of macroeconomics and from all parts of the world, as long as the research is founded in a rigorous scientific approach. Major advances in macroeconomics without immediate policy applications are also accepted, if they show potential for application in the future. Occasional book reviews, announcements, conference proceedings and interviews are also published. Special issues appear in the journal's Supplements Series, having its own Special Issues Editors. An electronic version of the journal will be published simultaneously with the paper version enabling immediate access to the best current research in Macroeconomics.

**Home Page.** The journal has a home page on the web which is a source of further information about the journal. The location of the home page is: <http://econ.tepper.cmu.edu/barnett/MD.html>. Information about *Macroeconomic Dynamics* may also be viewed at [www.journals.cambridge.org](http://www.journals.cambridge.org).

**Manuscript Submissions.** The submission procedure for this journal has been converted to electronic uploading of pdfs to the journal's server. To submit, follow the instructions provided at [http://server1.tepper.cmu.edu/md/electronic\\_submission.htm](http://server1.tepper.cmu.edu/md/electronic_submission.htm). Questions about the submission procedure can be transmitted to the Editorial Information System Manager, Stephen Spear, at [ss1f@andrew.cmu.edu](mailto:ss1f@andrew.cmu.edu), or to the Editor, William A. Barnett, at [barnett@ku.edu](mailto:barnett@ku.edu).

**Special Issues Submissions.** The journal publishes special issues in its Supplements Series. Proposals for special issues should be sent to either of the journal's Special Issues Editors and should include a table of contents and one of more proposed guest editors.

**Originality and Copyright.** Manuscripts are accepted for review on the understanding that the same work has not been and will not be published nor is presently submitted for publication elsewhere. While under editorial review, it is the responsibility of the authors to keep the Editor informed about submissions, publication plans, and actual publication of related research or abstracts thereof in other outlets, including letters, journals, review publications, journals in other disciplines, conference proceedings, and published dissertations. It is further understood that all persons listed as authors have given their approval for the submission of the paper and that any person cited as a source of personal communication has

approved such citation; written authorization may be required at the Editor's discretion. Authors are responsible for obtaining written permission to publish material for which they do not own the copyright. A Copyright Transfer Agreement, with certain specified rights reserved by the author, must be signed and returned to the Editor by a senior author of accepted manuscripts, prior to publication. This is necessary to enable the publisher to ensure the wide distribution of the author's(s') work and the protection of both the author and the publisher under copyright law. Articles and other material published in *Macroeconomic Dynamics* represent the opinions of the authors and should not be construed to reflect the opinions of the Editor, Advisory Board, Editorial Board, or the Publisher.

**Preparation of a Manuscript.** The entire manuscript (including notes and references) should be produced as double spaced typescript on 8½ × 11-inch or A4 white paper, with wide margins to accommodate copyediting. The manuscript should be converted to a pdf for submission by uploading to the journal's server. The publisher asks that you provide a PDF file of the final version of your paper, together with a copy of the word processing source file in which the paper was written. Pages should be numbered consecutively. Page 1 should provide the article, author's(s') names (in the form preferred for publication, complete affiliation, phone, fax and e-mail numbers (if available)). At the bottom of Page 1 place any footnotes to the title or authors, indicated by superscripts \*, \*\*, etc. Page 2 should contain a proposed running head (abbreviated form of the title) of up to 40 characters, and the name and mailing address, telephone, fax and e-mail numbers of the author to whom proof's should be sent. Page 3 should contain a short abstract of the paper in less than 150 words. The abstract will appear at the head of the article when published in the journal. A list of three or four keywords or terms should also be included. The full text of the manuscript should begin on Page 4.

**Equations.** All equations should be typewritten and the numbers for displayed equations should be placed in parenthesis in the right margin. References to equations should simply use the form "(3)." Superscripts and subscripts should be typed clearly above and below the line, respectively. Theorem, lemma, and proposition statements should appear in italic print. End-of-proof signposts should appear as such: either ■ or Q.E.D., typed in italics. Authors are encouraged to use the following order for parentheses: {[(...)]}.

**Tables and Figures.** If possible, the publisher asks that you include all graphics

(charts, diagrams or other art work) at the end of the paper, indicating in the body of the paper where each graphic should appear. If it is not possible for you to include the graphics files in the word processor source code, you should upload the individual graphics files separately after you upload the PDF and source files for your paper.

**References.** References should be cited in the text by the author's last name and the date of publication. Complete bibliographic information for each citation should be included in the list of references. References should be typed in alphabetical order in the style of the following examples:

*Monograph:*

Stokey, Nancy L. and Robert E. Lucas, Jr. with Edward Prescott (1989) *Re-cursive Methods in Economic Dynamics*. Cambridge, MA: Harvard University Press *Chapter in an Edited Volume:*

Danthine, Jean-Pierre and John B. Donaldson (1995) Computing equilibria of nonoptimal economies. In Thomas F. Cooley (ed.), *Frontiers of Business Cycle Research*, pp. 65–97. Princeton, NJ: Princeton University Press.

*Journal Article:*

Epstein, Larry G. and Stanley Zin (1989) Substitution, risk aversion and the temporal behavior of consumption and asset returns I: A theoretical framework. *Econometrica* 42, 937–969.

*Article in Press:*

Huang, He, Selahattin Imrohorglu, and Thomas J. Sargent (in press) Two computational experiments to fund Social Security. *Macroeconomic Dynamics*.

Journal names should not be abbreviated.

**Footnotes.** Where more than a simple source citation is called for, footnotes may be used. These should be numbered consecutively throughout the text and typed together at the end of the paper before the references. Source citations within footnotes follow the same style as citations within the text.

**Copyediting and Proofreading.** The publisher reserves the right to copyedit and proofread all articles for publication, but the corresponding author will receive page proofs for final proofreading. These should be checked and returned within five days of receipt. The publisher reserves the right to charge authors for excessive correction of non-typographical errors.

**Offprints.** The corresponding author will receive 25 free offprints of their article free of charge; additional numbers may be purchased if ordered at proof stage (an order form will be sent with proofs).

# MACROECONOMIC DYNAMICS

Volume 20, Number 2, March 2016

Contents

## Special Issue on *Complexity in Economic Systems*

Edited by Apostolos Serletis

### ARTICLES

- Introduction to *Macroeconomic Dynamics* Special Issue on Complexity  
in Economic Systems  
**Apostolos Serletis** 461
- The Distribution of Wealth in the Blanchard–Yaari Model  
**Jess Benhabib, Alberto Bisin, and Shenghao Zhu** 466
- An Analytical and Numerical Search for Bifurcations in Open Economy  
New Keynesian Models  
**William A. Barnett and Unal Eryilmaz** 482
- Public Spending as a Source of Endogenous Business Cycles in a Ramsey  
Model with Many Agents  
**Kazuo Nishimura, Carine Nourry, Thomas Seegmuller,  
and Alain Venditti** 504
- Capital Misallocation and Aggregate Factor Productivity  
**Costas Azariadis and Leo Kaas** 525
- The Evolution of Endogenous Business Cycles  
**Roger E. A. Farmer** 544
- How Inflation Affects Macroeconomic Performance: An Agent-Based  
Computational Investigation  
**Quamrul Ashraf, Boris Gershman, and Peter Howitt** 558
- The Optimal Inflation Target in an Economy with Limited Enforcement  
**Gaetano Antinolfi, Costas Azariadis, and James Bullard** 582
- Ants and Nonoptimal Self-Organization: Lessons for Macroeconomics  
**Alan Kirman** 601

Cambridge Journals Online

For further information about this journal please

go to the journal website at:

[journals.cambridge.org/mdy](http://journals.cambridge.org/mdy)

**CAMBRIDGE**  
UNIVERSITY PRESS