

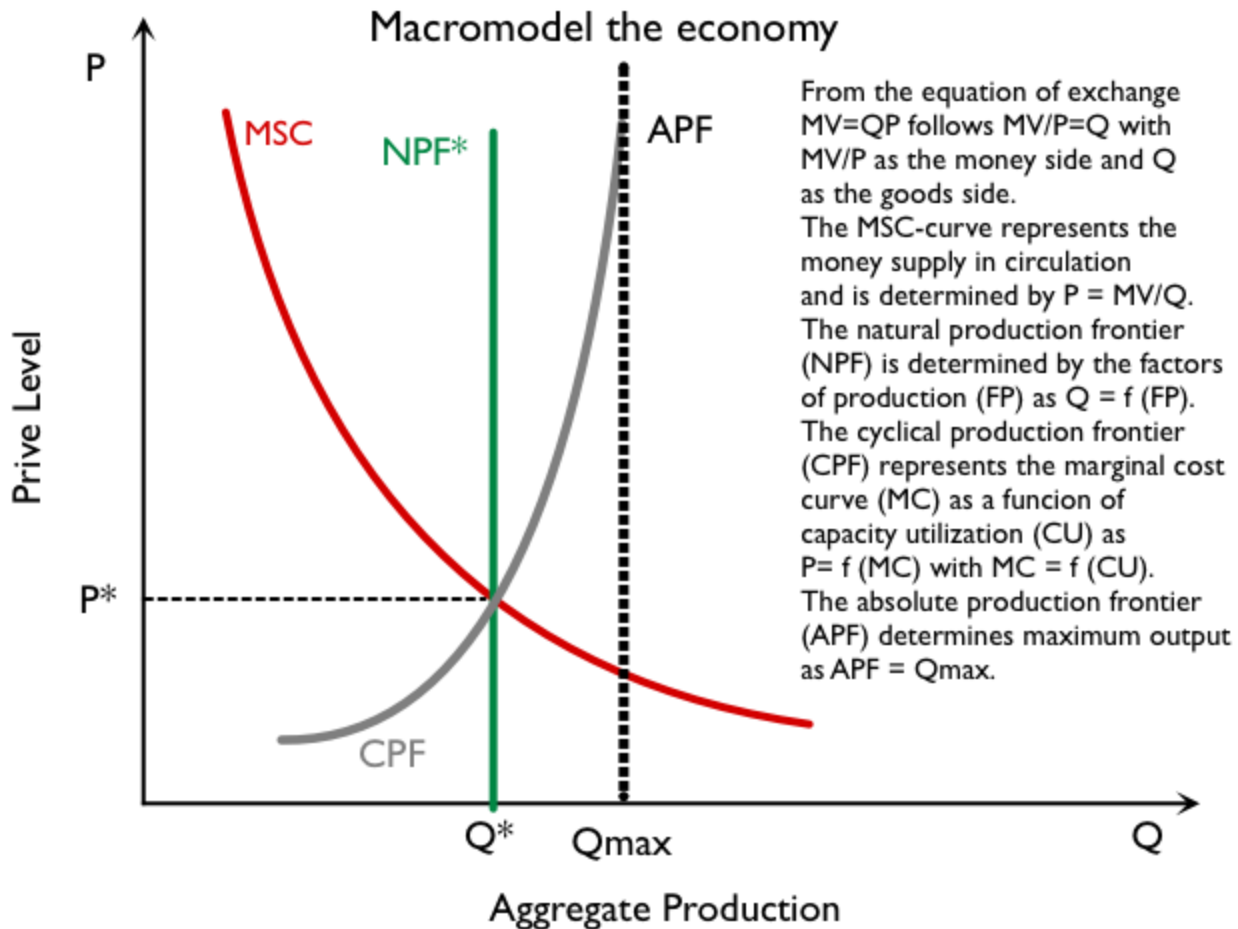
Macroeconomic Typology

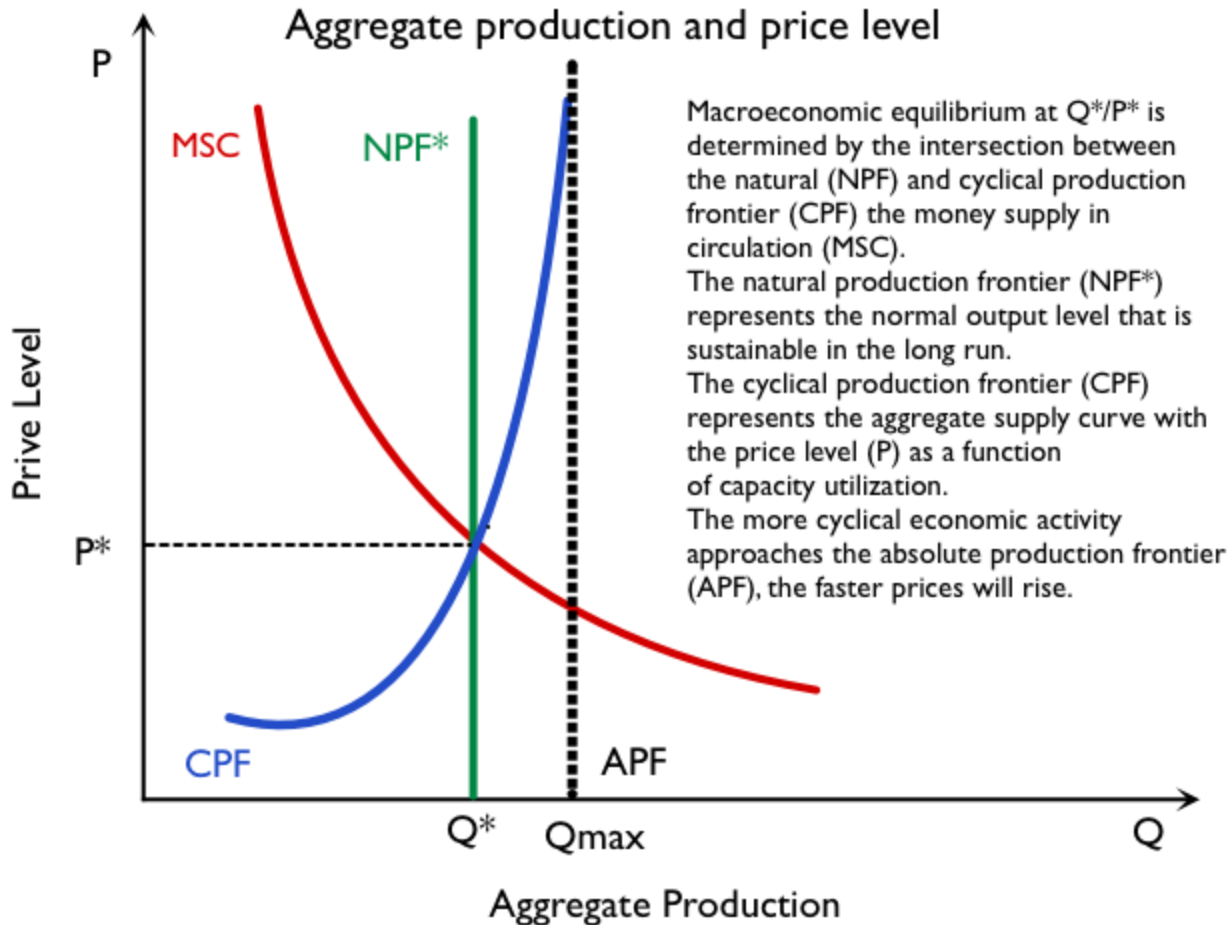
Antony P. Mueller

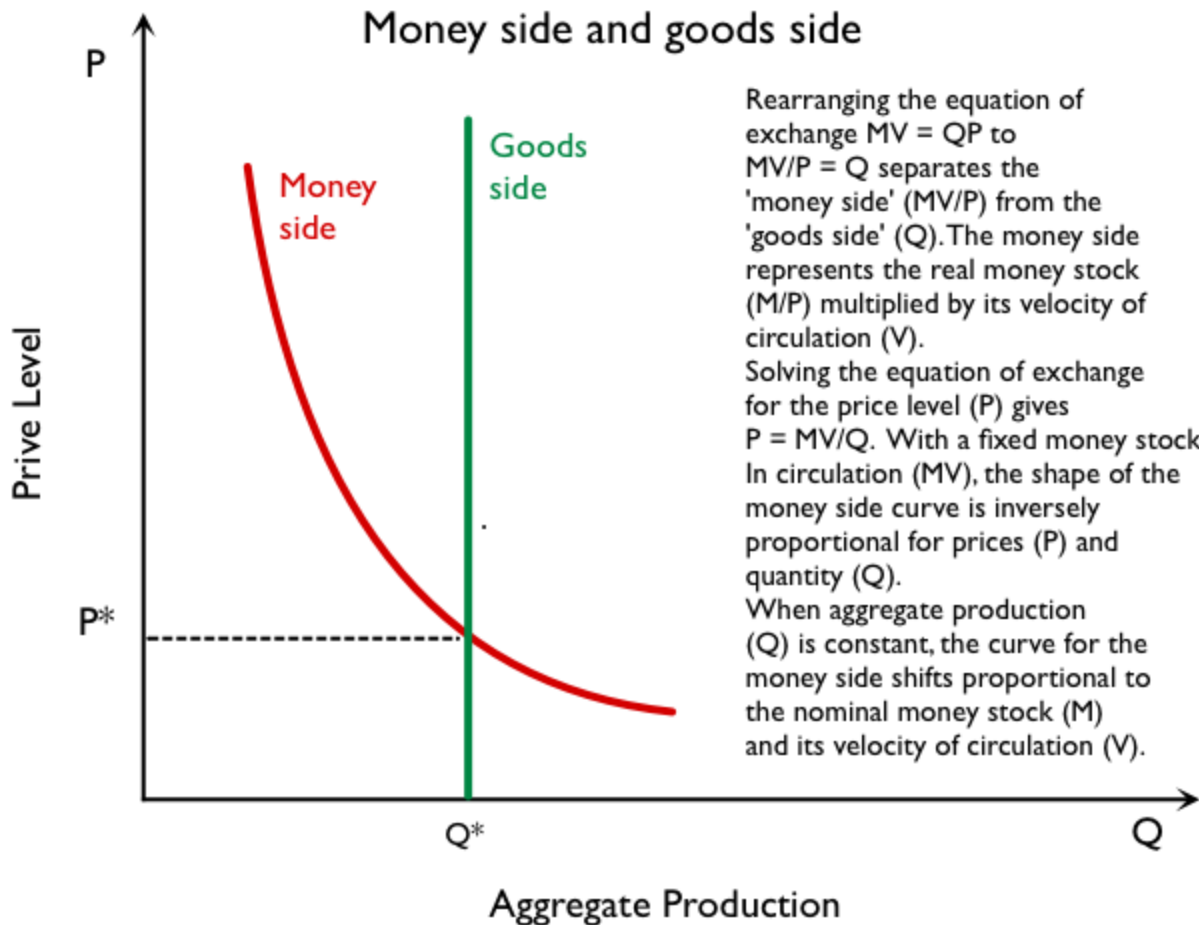
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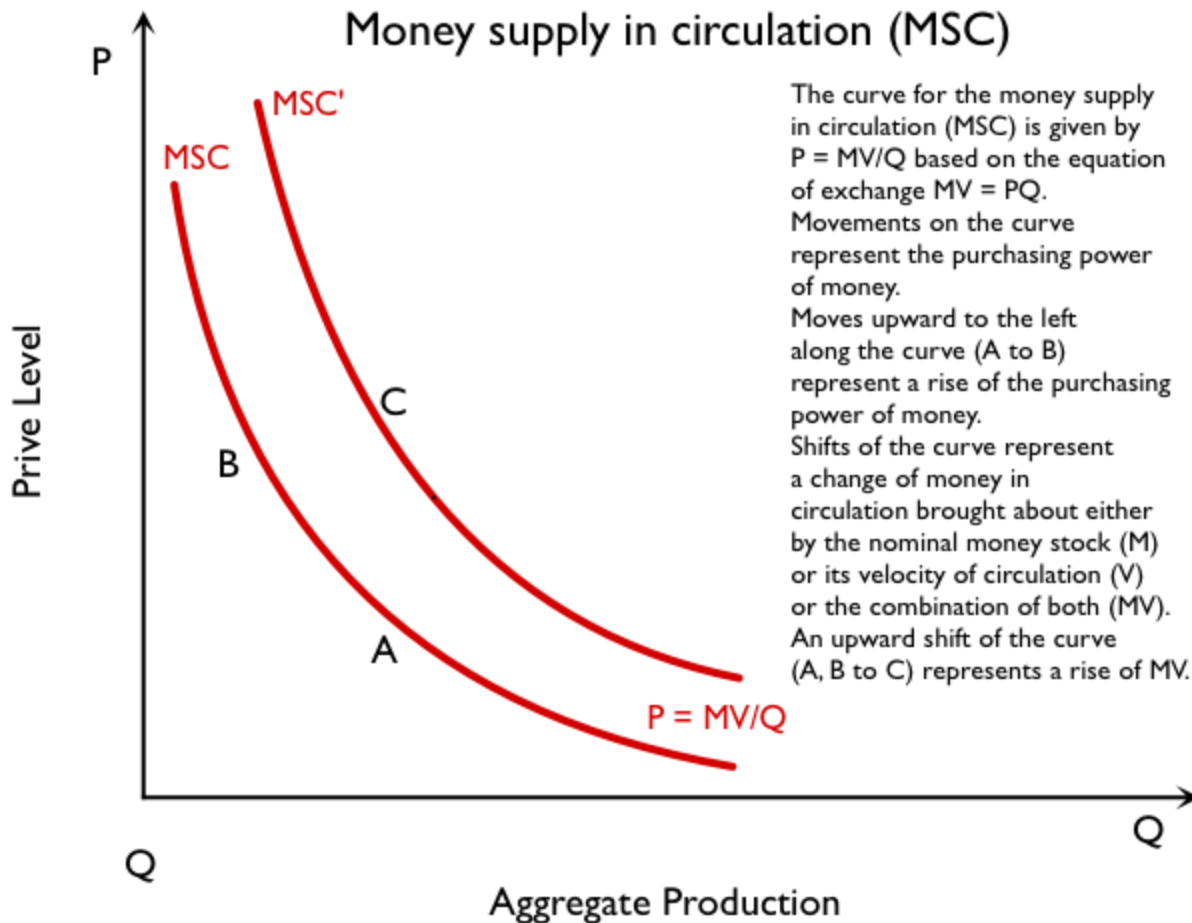
February 2013

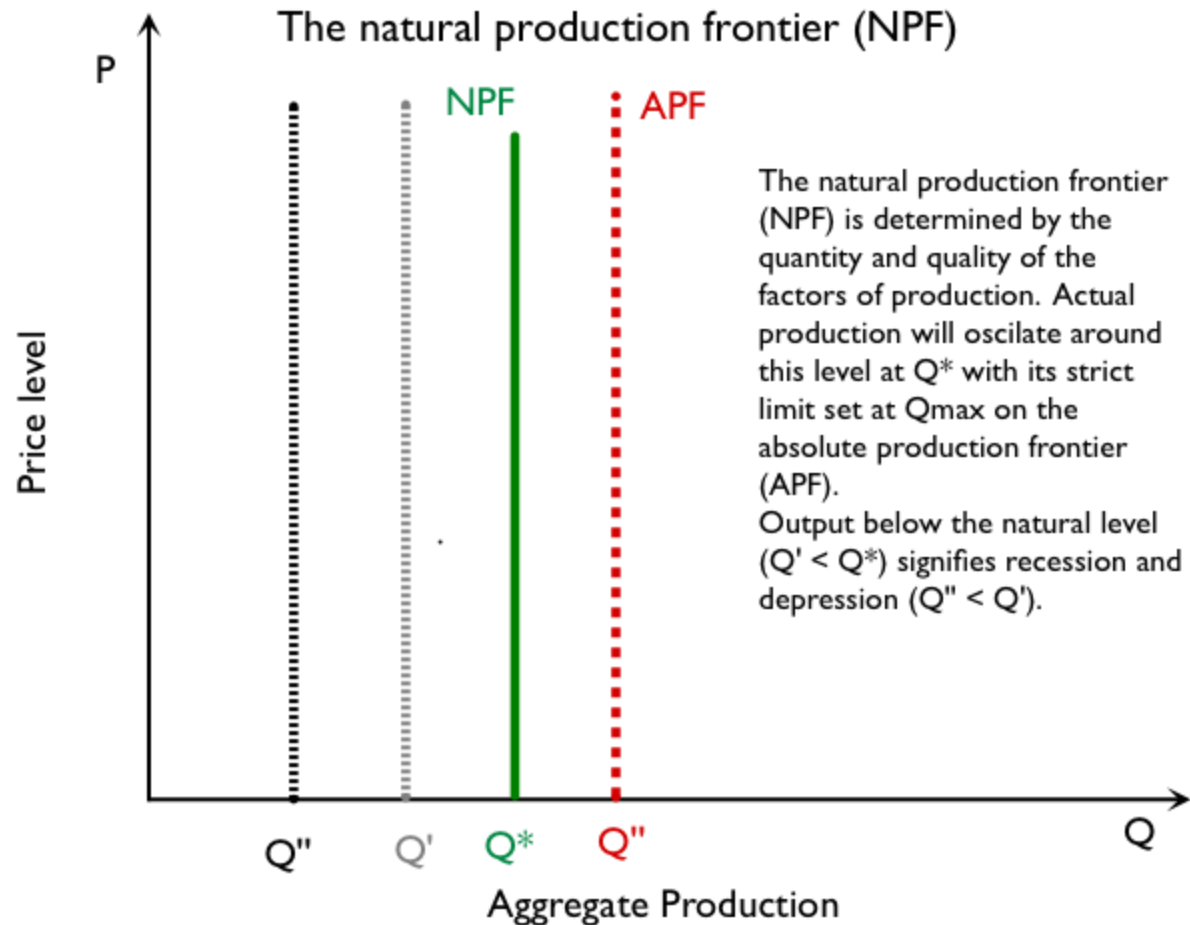
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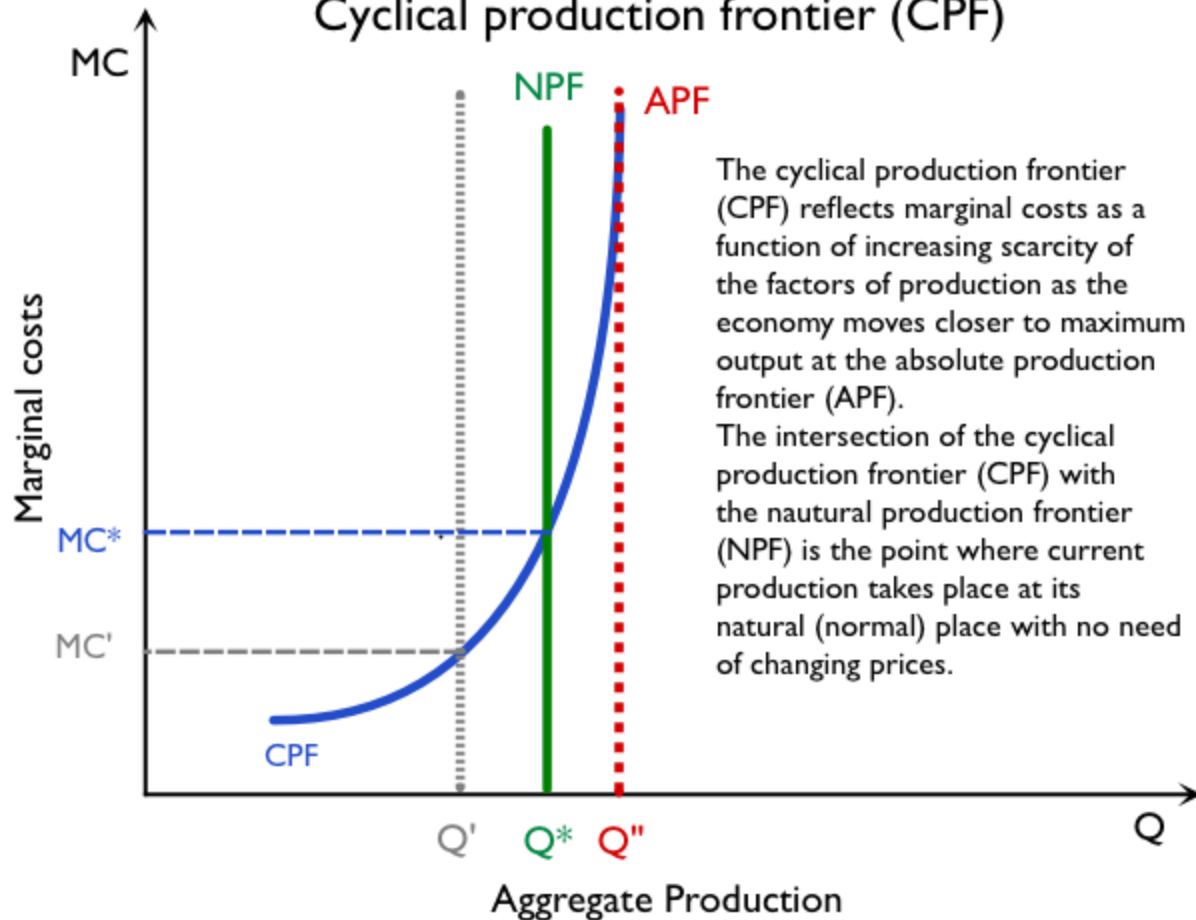




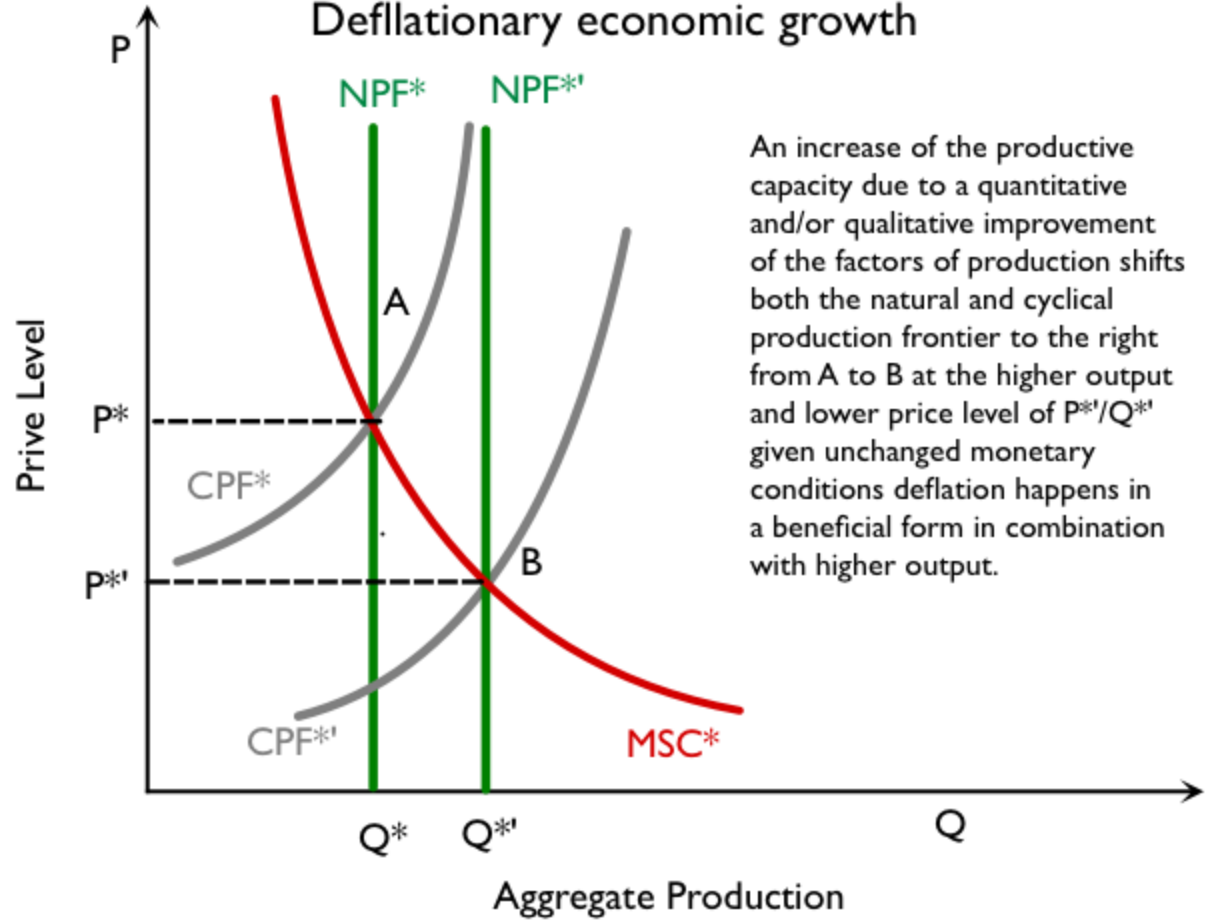




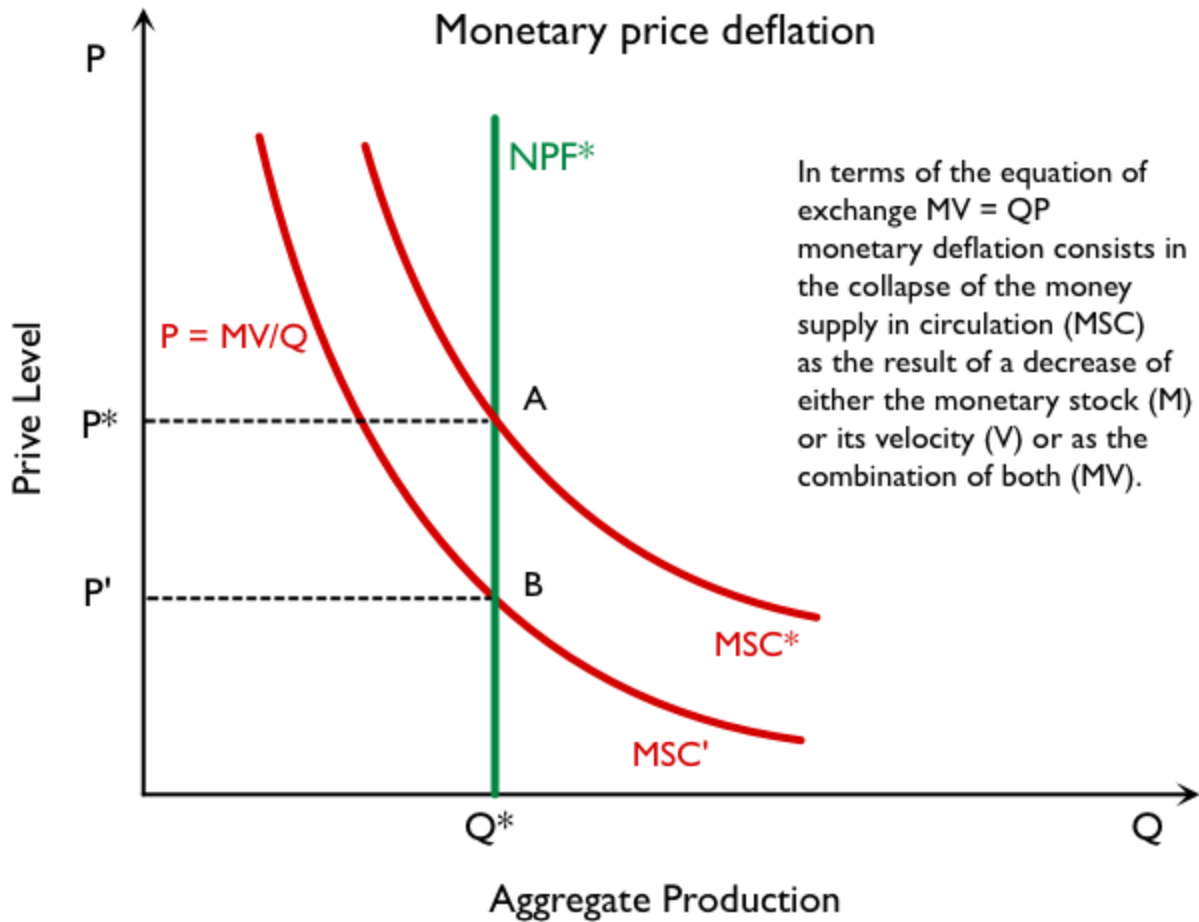
Cyclical production frontier (CPF)

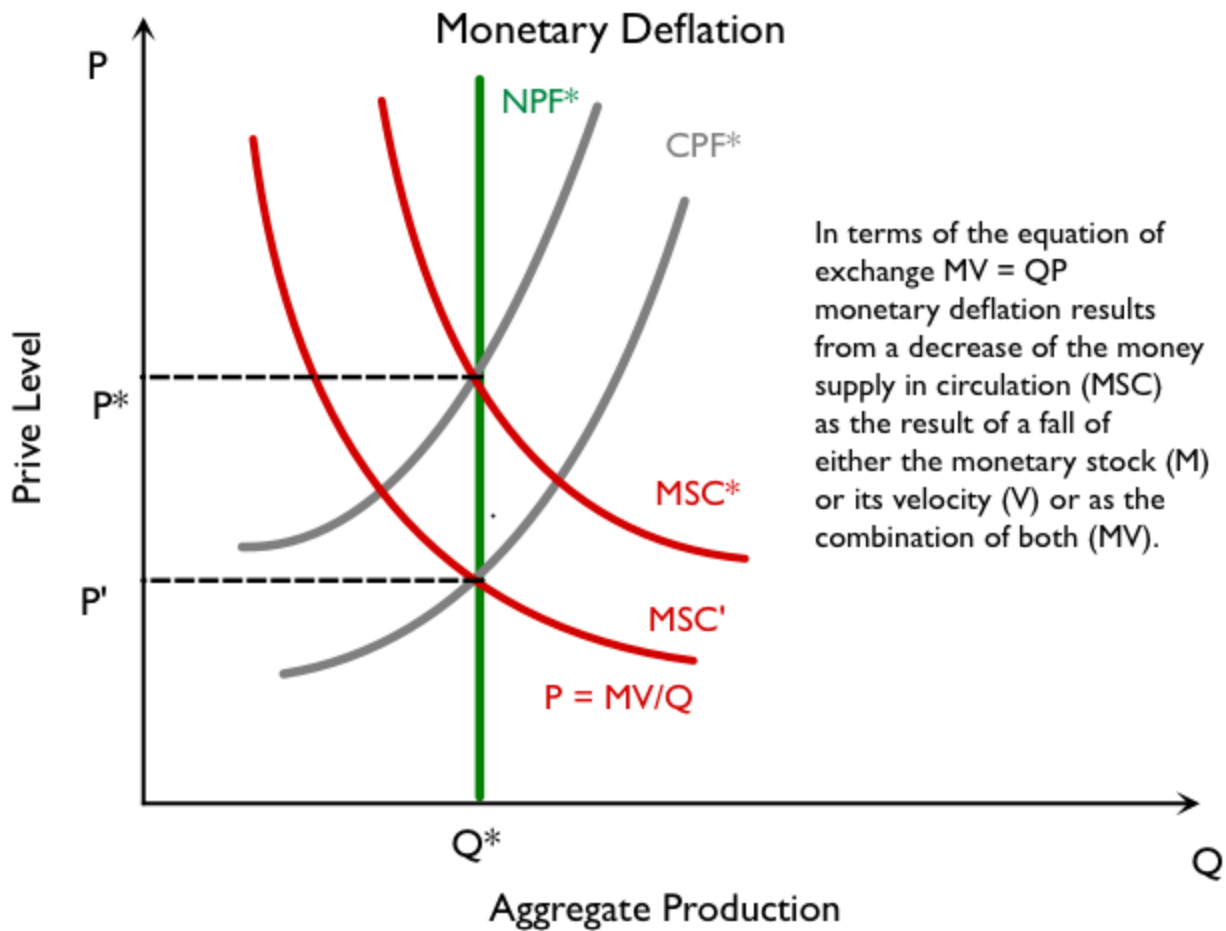


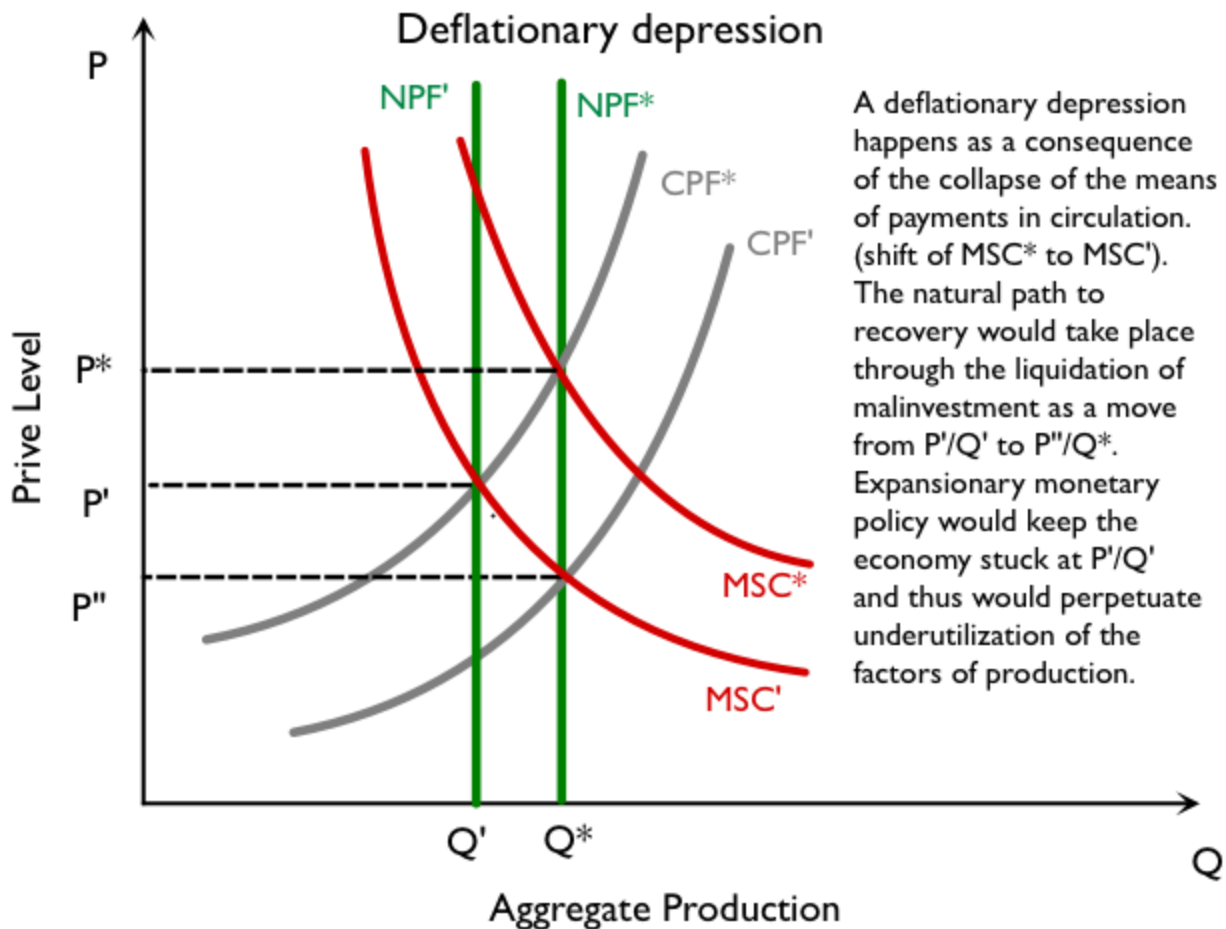
Deflationary economic growth

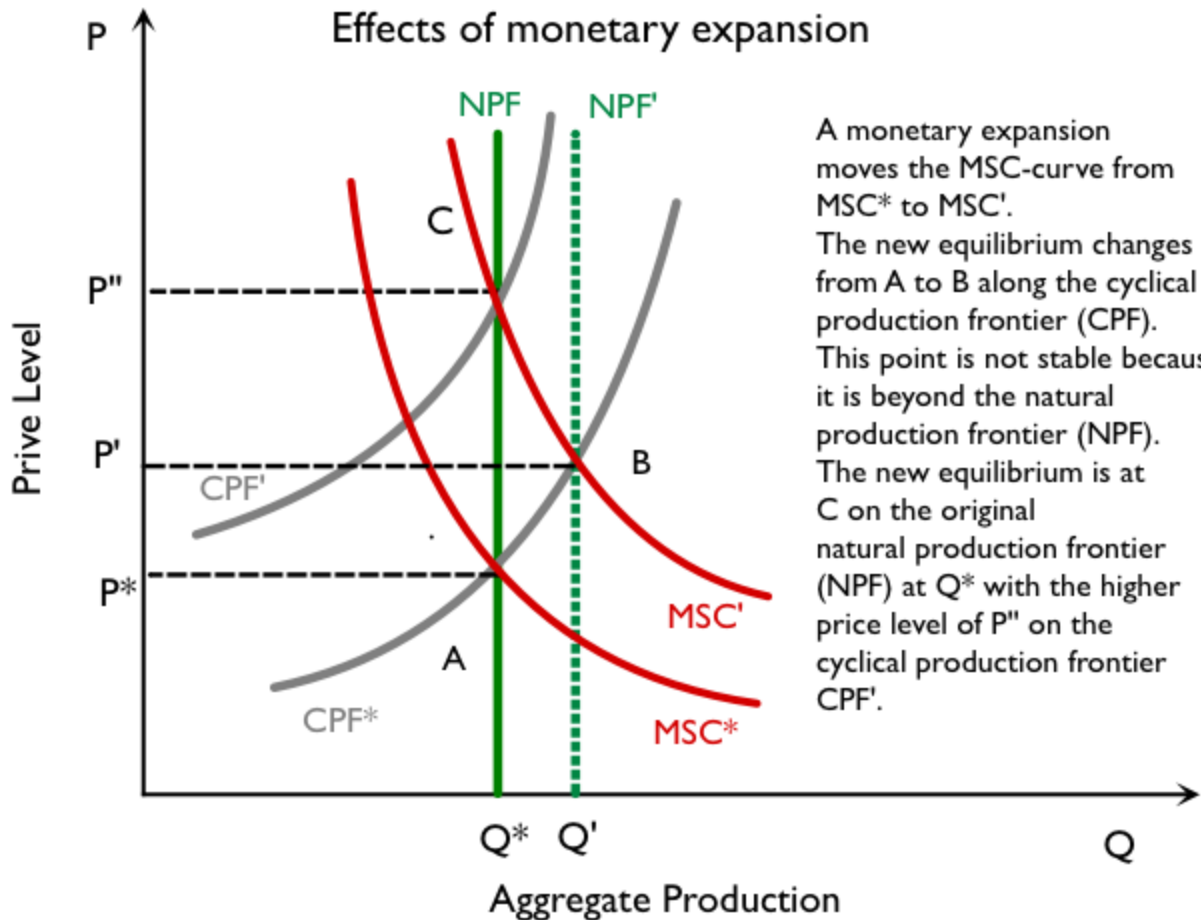


An increase of the productive capacity due to a quantitative and/or qualitative improvement of the factors of production shifts both the natural and cyclical production frontier to the right from A to B at the higher output and lower price level of P*'/Q*' given unchanged monetary conditions deflation happens in a beneficial form in combination with higher output.

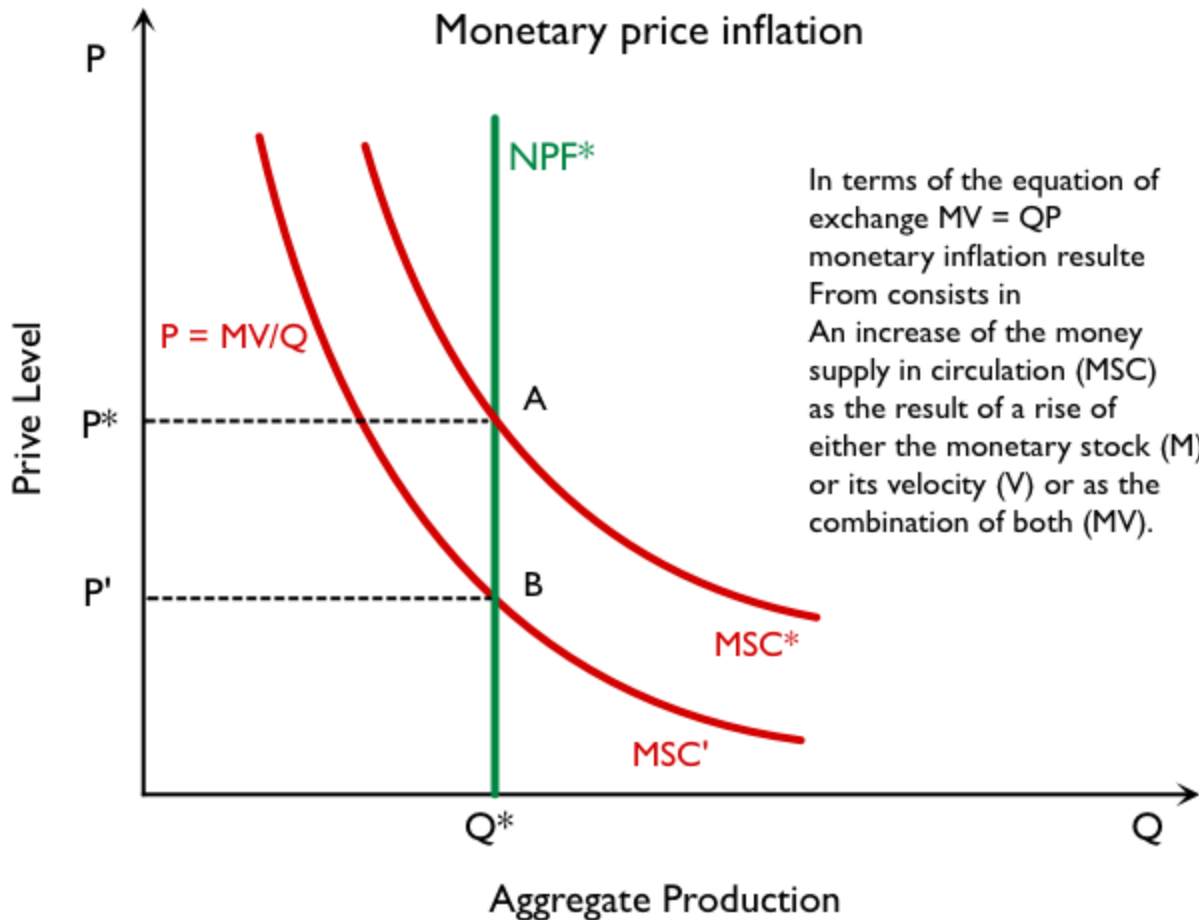


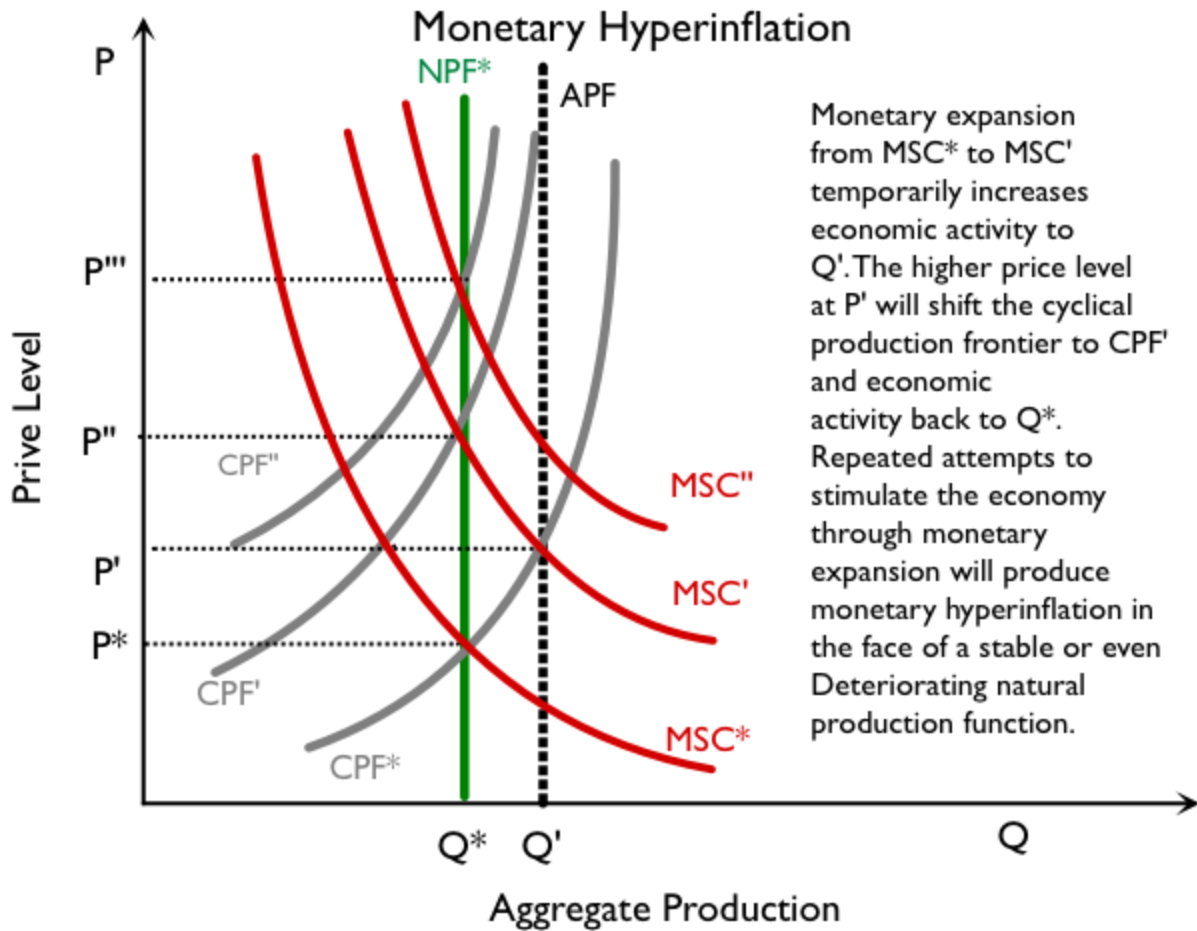


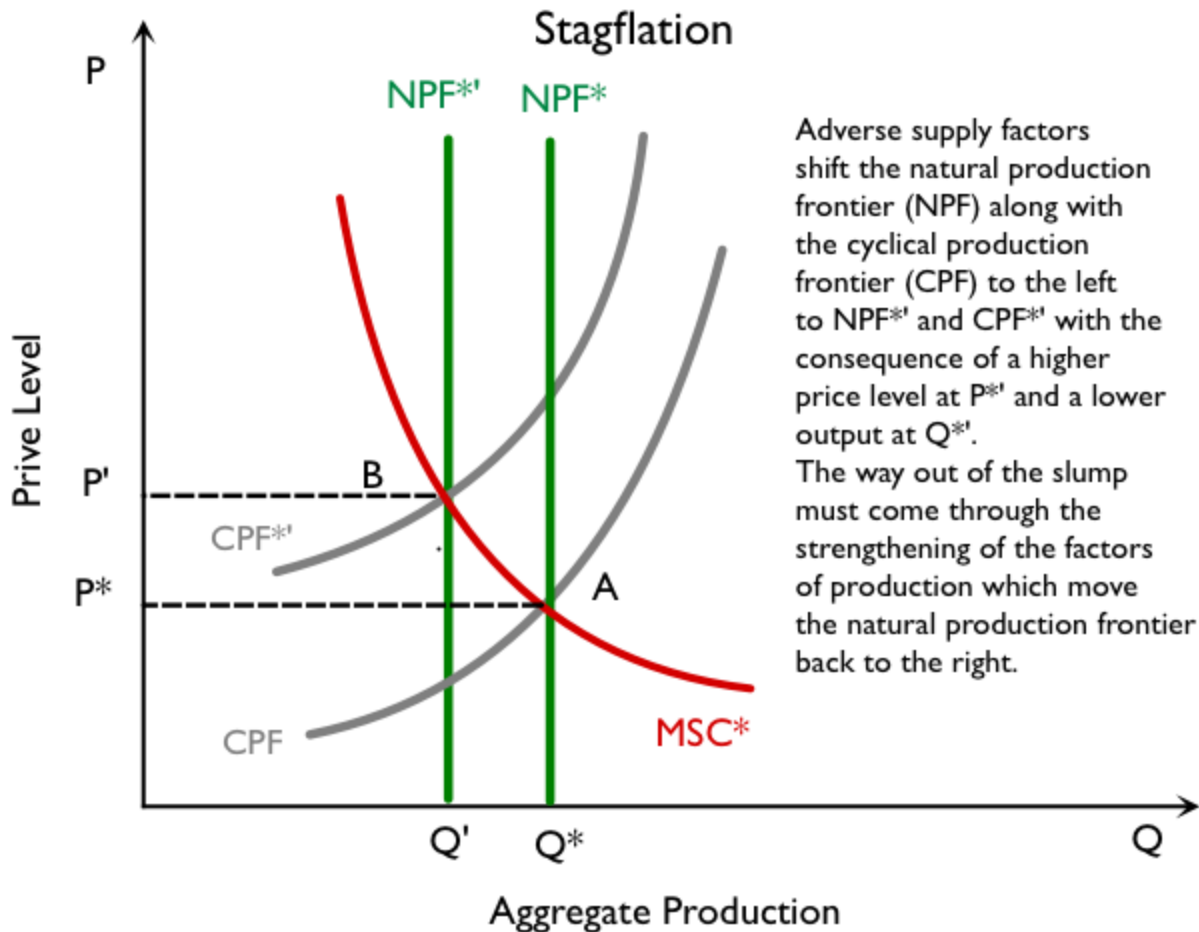




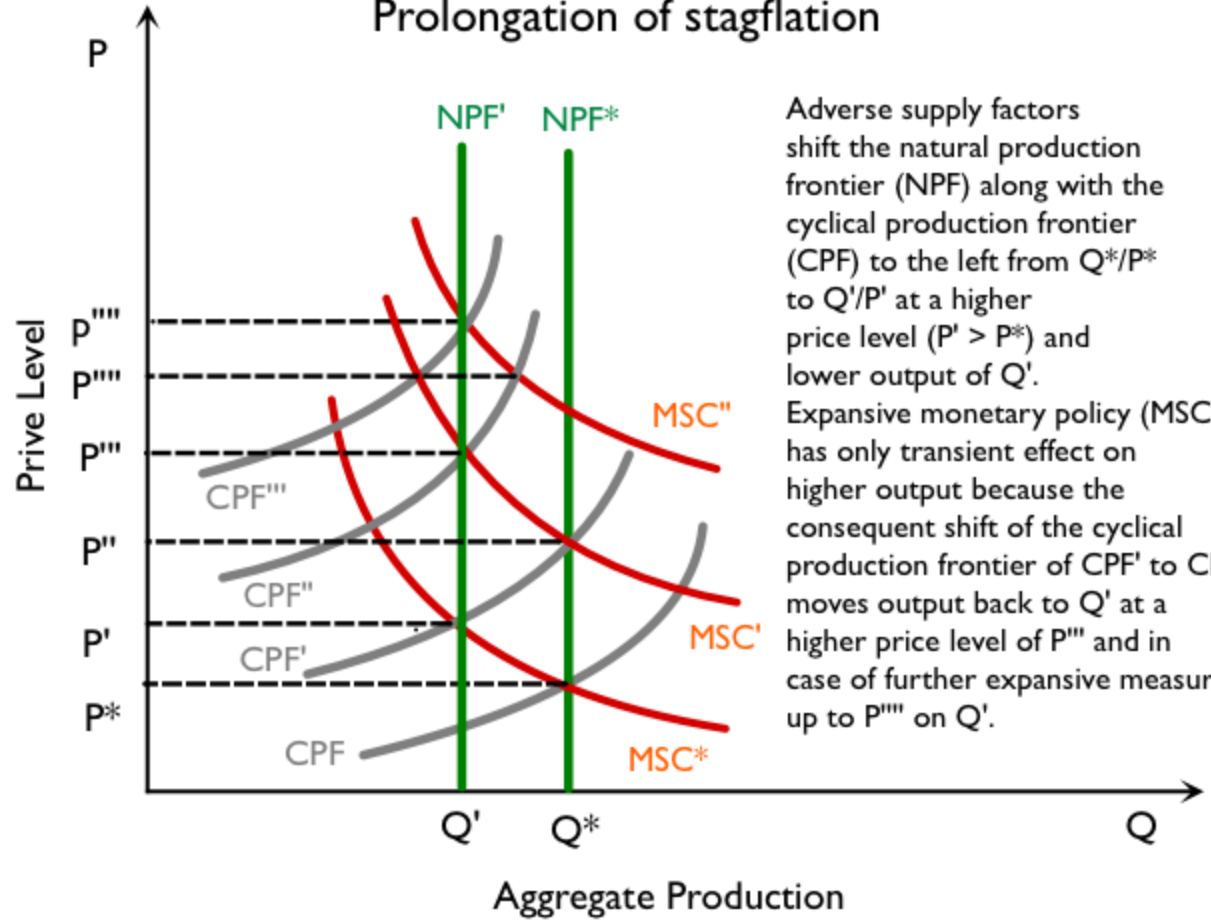
A monetary expansion moves the MSC-curve from MSC^* to MSC' . The new equilibrium changes from A to B along the cyclical production frontier (CPF). This point is not stable because it is beyond the natural production frontier (NPF). The new equilibrium is at C on the original natural production frontier (NPF) at Q^* with the higher price level of P'' on the cyclical production frontier CPF' .





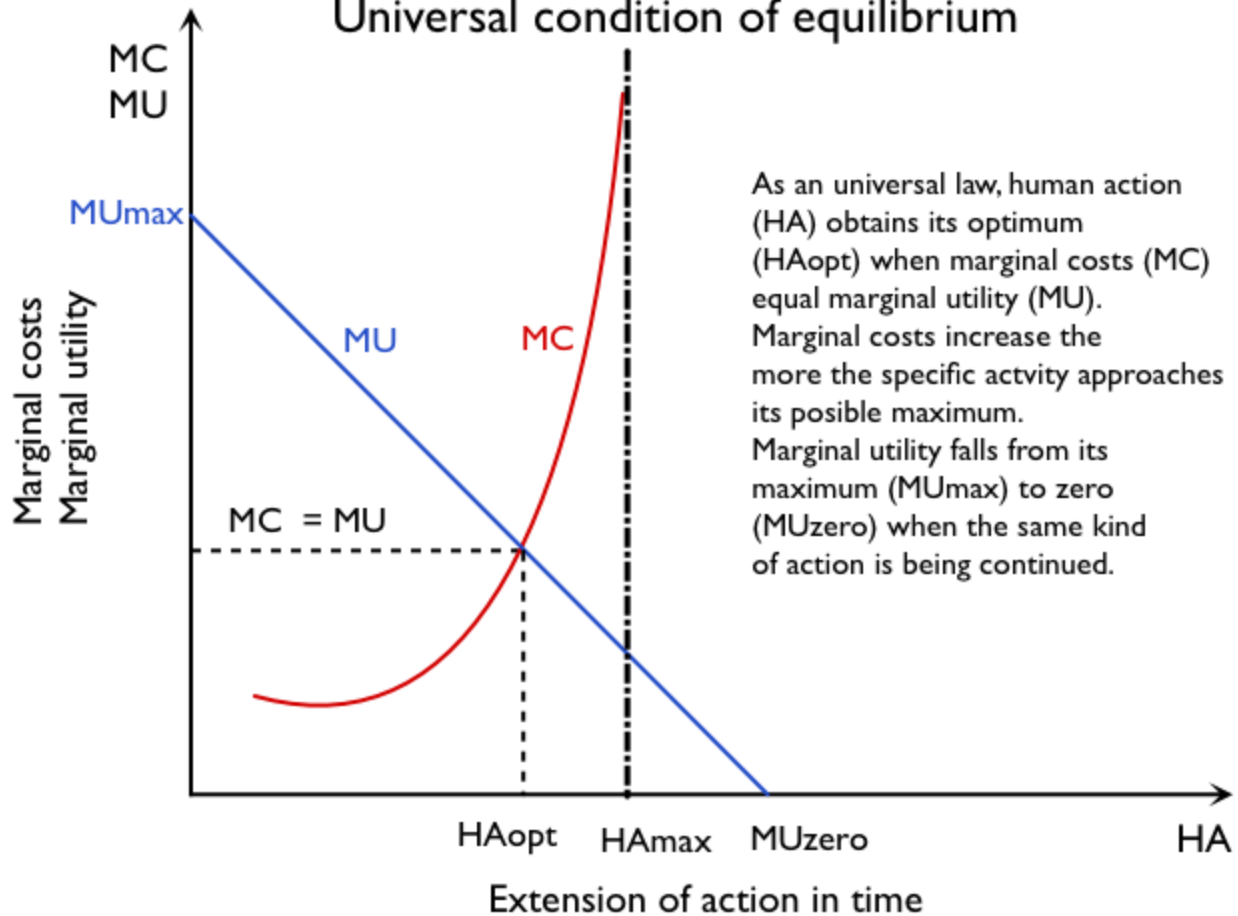


Prolongation of stagflation



Adverse supply factors shift the natural production frontier (NPF) along with the cyclical production frontier (CPF) to the left from Q^*/P^* to Q'/P' at a higher price level ($P' > P^*$) and lower output of Q' . Expansive monetary policy (MSC') has only transient effect on higher output because the consequent shift of the cyclical production frontier of CPF' to CPF'' moves output back to Q' at a higher price level of P''' and in case of further expansive measures up to P'''' on Q' .

Universal condition of equilibrium



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