

Table 1. Samuelson's Interaction Model		
Case	Values	Behaviour of the Cycle
1	$\alpha = .5, \beta = 0$	Cycleless Path
2	$\alpha = .5, \beta = 1$	Damped Fluctuations
3	$\alpha = .5, \beta = 2$	Fluctuations of Constant Amplitude
4	$\alpha = .5, \beta = 3$	Explosive Cycles
5	$\alpha = .5, \beta = 4$	Cycleless Explosive Path

Case 1 : Samuelson's case 1 shows a cycleless path because it is based only on the multiplier effect, the accelerator playing no part in it. This is shown in Fig. (A).

Case 2 shows a damped cyclical path fluctuating around the static multiplier level and gradually subsiding to that level, as shown in Fig. (B).

Case 3 depicts cycles of constant amplitude repeating themselves around the multiplier level. This case is depicted in Fig. (C).

Case 4 reveals anti-damped or explosive cycles, see Fig. (D).

Case 5 relates to a cycleless explosive upward path eventually approaching a compound interest rate of growth, as shown in Fig. (E).

- (2) This model assumes that the marginal propensity to consume (α) and the accelerator (β) are constants, but in reality they change with the level of income so that this is applicable only to the study of small fluctuations.
- (3) The cycles explained in this model oscillate about a stationary level in a trendless economy. This is not realistic because an economy is not trendless but it is in a process of growth. This has led Hicks to formulate his theory of the trade cycle in a growing economy.
- (4) According to Duesenberry, it presents a mechanical explanation of the trade cycle because it is based on the multiplier-accelerator interaction in rigid form.
- (5) It ignores the effects of monetary changes upon business cycles.

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