A Dynamic General Equilibrium IS-LM Model

Takashi Kamihigashi[*]

November 20, 2018

Abstract

This paper studies a simple model that unifies the Ramsey model, Kurz's growth model with wealth effects, and Sidrauski's money-in-the-utility-function model. In a very special case, the dynamics of the model are characterized by two curves that resemble the traditional IS and LM curves. This special case has features such as deflationary spirals and a liquidity trap. Thus this model unifies neoclassical growth theory and IS-LM analysis in a simple manner.

---

[*]CCSS & RIEB, Kobe University, Rokkodai, Nada, Kobe 657-8501 JAPAN. Email: tkamihig@rieb.kobe-u.ac.jp