Which Statement Best Describes General Equilibrium

== Overview == 0f9b9e90ce Rawls argues that human beings have a "sense of justice" that is a source of both moral judgment and moral motivation. In Rawls's theory... 0f9b9e90ce == Keynes's aims in the General Theory == 0f9b9e90ce

Cheap talk Providing and receiving information is free. This is in contrast to signalling, in which sending certain messages may be costly for the sender depending on the state of the world. choose in equilibrium not to do so. Cheap talk can, in general, be added to any game and has the potential to enhance the set of possible equilibrium outcomes In game theory, cheap talk is a communication framework between players where messages do not directly affect the payoffs of the game 0f9b9e90ce

Second law of thermodynamics Another statement is: "Not all heat can be converted into work in a cyclic process. A simple statement of the law is that heat always flows spontaneously from hotter to colder regions of matter (or 'downhill' in terms of the temperature gradient). Hatsopoulos–Keenan statement of the second law has been developed into a rigorous formulation of the general axiomatic foundations of equilibrium and nonequilibrium The second law of thermodynamics is a physical law based on universal empirical observation concerning heat and energy interconversions. " These are informal definitions, however; more formal definitions appear below 0f9b9e90ce

The Folk Theorem suggests that if the players are patient enough and far-sighted (i.e. if the discount factor 0f9b9e90ce δ 0f9b9e90ce In 1972, paleontologists Niles Eldredge and Stephen Jay Gould published a landmark paper developing their theory and called it punctuated equilibria. Their paper built upon Ernst Mayr's model of geographic speciation, I. M. Lerner's theories of developmental and genetic homeostasis, 0f9b9e90ce As a practical matter, people often use the term "DSGE models" to refer to a particular class of classically quantitative econometric models of business cycles or economic growth called real business cycle (RBC) models. DSGE models were initially proposed in the 1980s by Kydland & Prescott, and Long & Plosser; Charles Plosser described RBC models as a precursor for DSGE modeling. 0f9b9e90ce As mentioned in the Introduction, DSGE models are the predominant framework of macroeconomic analysis. They are multifaceted, and their combination of microfoundations and optimising economic behaviour of rational agents allows for a comprehensive analysis of macro effects. As indicated... 0f9b9e90ce The second law of thermodynamics establishes the concept of entropy as a physical property of a thermodynamic system. It predicts whether processes are forbidden despite obeying the requirement of conservation of energy as expressed in the first law of thermodynamics and provides necessary criteria for spontaneous processes. For example, the first law allows the process of a cup falling off a table and breaking on the floor, as well as allowing the reverse process of the cup fragments coming back together and 'jumping' back onto the table, while the second law allows the former and denies the latter. The second law may be formulated by the observation that the entropy of isolated systems left to spontaneous evolution cannot decrease... 0f9b9e90ce

The General Theory of Employment, Interest and Money even in equilibrium, and believed that the volatile and ungovernable psychology of markets would lead to periodic booms and crises. It had equally powerful consequences in economic policy, being interpreted as providing theoretical support for government spending in general, and for budgetary deficits, monetary intervention and counter-cyclical policies in particular. The General Theory The General Theory of Employment, Interest and Money is a book by English economist John Maynard Keynes published in February 1936. It is pervaded with an air of mistrust for the rationality of free-market decision-making. It caused a profound shift in economic thought, giving macroeconomics a central place in economic theory and contributing much of its terminology – the "Keynesian Revolution" 0f9b9e90ce

Nash equilibrium game in which Carol and Dan are also players, (A, B, C, D) is a Nash equilibrium if A is Alice's best response to (B, C, D), B is Bob's best response In game theory, a Nash equilibrium is a situation where no player could gain more by changing their own strategy (holding all other players' strategies fixed) in a game. A Nash equilibrium is the most commonly used solution concept for non-cooperative games 0f9b9e90ce

This basic setting set by Vincent Crawford and Joel Sobel has given rise to a variety of variants. 0f9b9e90ce == Terminology == 0f9b9e90ce Dietmar Hübner has pointed out that there are many interpretations of reflective equilibrium that deviate from Rawls' method in ways that reduce the cogency of the idea. Among these misinterpretations, according to Hübner, are definitions of reflective equilibrium as "(a) balancing theoretical accounts against intuitive convictions; (b) balancing general principles against particular judgements; (c) balancing opposite ethical conceptions or divergent moral statements". 0f9b9e90ce → 0f9b9e90ce In extensive form games, and specifically in stochastic games, a Markov perfect equilibrium is a set of mixed strategies for each of the players which satisfy the following criteria: 0f9b9e90ce

Markov perfect equilibrium It has been used in analyses of industrial organization, macroeconomics, and political economy. The A Markov perfect equilibrium is an equilibrium concept in game theory. The term appeared in publications starting about 1988 in the work of economists Jean Tirole and Eric Maskin. It is a refinement of the concept of subgame perfect equilibrium to extensive form games for which a pay-off relevant state space can be identified. It is a refinement of the concept of subgame perfect equilibrium to extensive form games for which a pay-off relevant state space can be identified 0f9b9e90ce

== Overview == 0f9b9e90ce Broadly speaking, general equilibrium tries to give an understanding of the whole economy using a "bottom-up" approach, starting with individual markets and agents. Therefore, general equilibrium theory has traditionally been classified as part of microeconomics. The... 0f9b9e90ce To give a formal definition, cheap talk is communication that is: 0f9b9e90ce and their own empirical research. Eldredge and Gould proposed that... 0f9b9e90ce If two players Alice and Bob choose strategies A and B, (A, B) is a Nash equilibrium if Alice has no other strategy available that does better than A at maximizing her payoff in response to Bob choosing B, and Bob has no other strategy available that does better than B at maximizing his payoff in response to Alice choosing A. In a game in which Carol and Dan are also players, (A, B, C, D) is a Nash equilibrium if A is Alice's best response to (B, C, D), B is Bob's best response to (A, C, D), and so forth. 0f9b9e90ce

Punctuated equilibrium This state of little or no morphological change is called stasis. When significant evolutionary change occurs, the theory proposes that it is generally restricted to rare and geologically rapid events of branching speciation called cladogenesis. Cladogenesis is the process by which a species splits into two distinct species, rather than one species gradually transforming into another. In evolutionary biology, punctuated equilibrium (also called punctuated equilibria) is a theory that proposes that once a species appears in the fossil In evolutionary biology, punctuated equilibrium (also called punctuated equilibria) is a theory that proposes that once a species appears in the fossil record, the population will become stable, showing little evolutionary change for most of its geological history 0f9b9e90ce

Reflective equilibrium The term reflective equilibrium was coined by John Rawls and popularized in his A Theory of Justice as a method for arriving at the content of the principles of justice. Reflective equilibrium is a state of balance or coherence among a set of beliefs arrived at by a process of deliberative mutual adjustment among general principles Reflective equilibrium is a state of balance or coherence among a set of beliefs arrived at by a process of deliberative mutual adjustment among general principles and particular judgements. Although he did not use the term, philosopher Nelson Goodman introduced the method of reflective equilibrium as an approach to justifying the principles of inductive logic (this is now known as Goodman's method) 0f9b9e90ce

costless to transmit and receive 0f9b9e90ce Punctuated equilibrium is commonly contrasted with phyletic gradualism, the idea that evolution generally occurs uniformly by the steady and gradual transformation of whole lineages (anagenesis). 0f9b9e90ce

General equilibrium theory General equilibrium theory contrasts with the theory of partial equilibrium, which analyzes a specific part In economics, general equilibrium theory attempts to explain the behavior of supply, demand, and prices in a whole economy with several or many interacting markets, by seeking to prove that the interaction of demand and supply will result in an overall general equilibrium. General equilibrium theory contrasts with the theory of partial equilibrium, which analyzes a specific part of an economy while its other factors are held constant. will result in an overall general equilibrium 0f9b9e90ce

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Dynamic stochastic general equilibrium DSGE econometric modelling applies general equilibrium theory and microeconomic principles in a tractable manner to postulate economic phenomena, such as economic growth and business cycles, as well as policy effects and market shocks. Dynamic stochastic general equilibrium modeling (abbreviated as DSGE, or DGE, or sometimes SDGE) is a macroeconomic method which is often employed by Dynamic stochastic general equilibrium modeling (abbreviated as DSGE, or DGE, or sometimes SDGE) is a macroeconomic method which is often employed by monetary and fiscal authorities for policy analysis, explaining historical time-series data, as well as future forecasting purposes 0f9b9e90ce

General equilibrium theory both studies economies using the model of equilibrium pricing and seeks to determine in which circumstances the assumptions of general equilibrium will hold. The theory dates to the 1870s, particularly the work of French economist Léon Walras in his pioneering 1874 work Elements of Pure Economics. The theory reached its modern form with the work of Lionel W. McKenzie (Walrasian theory), Kenneth Arrow and Gérard Debreu (Hicksian theory) in the 1950s. 0f9b9e90ce The central argument... 0f9b9e90ce non-binding (i.e. does not limit strategic choices by either party) 0f9b9e90ce The concept of a Nash equilibrium dates back to the time of Cournot, who in 1838 applied it to his model of competition... 0f9b9e90ce unverifiable (i.e. cannot be verified by a third party like a court) 0f9b9e90ce Keynes denied that an economy would automatically adapt to provide full employment even in equilibrium, and believed that the volatile and ungovernable psychology of markets would lead to periodic booms and crises. The General Theory is a sustained attack on the classical economics orthodoxy of its time. It introduced the concepts of the consumption function, the principle of effective demand and liquidity preference, and gave new prominence to the multiplier and the marginal efficiency of capital. 0f9b9e90ce Therefore, an agent engaging in cheap talk could lie with impunity, but may choose in equilibrium not to do so. 0f9b9e90ce == Definition == 0f9b9e90ce

Folk theorem (game theory) The original Folk Theorem concerned the payoffs of all the Nash equilibria of an infinitely repeated game. In game theory, folk theorems are a class of theorems describing an abundance of Nash equilibrium payoff profiles in repeated games (Friedman 1971). Friedman's (1971) Theorem concerns the payoffs of certain subgame-perfect Nash equilibria (SPE) of an infinitely repeated game, and so strengthens the original Folk Theorem by using a stronger equilibrium concept: subgame-perfect Nash equilibria rather than Nash equilibria. The In game theory, folk theorems are a class of theorems describing an abundance of Nash equilibrium payoff profiles in repeated games (Friedman 1971). This result was called the Folk Theorem because it was widely known among game theorists in the 1950s, even though no one had published it 0f9b9e90ce

If each player has chosen a strategy — an action plan based on what has happened so far in the game — and no individual player can increase their own expected payoff by changing their strategy while the other players keep theirs unchanged, then the current set of strategy choices constitutes a Nash equilibrium. 0f9b9e90ce