

Lucas (1987)

MODELS OF BUSINESS CYCLES

TABLE 1 Cost of reducing growth from  $\mu_0 = 0.03$  when  $\beta = 0.95$

$\mu$	$f(\mu, \mu_0)$
0.01	0.45
0.02	0.20
0.03	0.00
0.04	-0.17
0.05	-0.31
0.06	-0.42

TABLE 2 Cost of consumption instability:  $g(\sigma_z^2)$

$\sigma$	$\sigma_z$		
	0.013	0.039	0.120
1	0.00008	0.00072	0.0065
5	0.00042	0.0038	0.034
10	0.00084	0.0076	0.068
20	0.0017	0.015	0.136

[26]

Barlevy (2005)

