

## THE CORE OF THE 2052 MODEL

### A general model of a modern capitalist economy covering real and financial dynamics

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#### Abstract

We present a generic system dynamics model of a modern, capitalist economy.

The model reproduces the real and financial dynamics that evolve over a 20-year time horizon in response to conventional macroeconomic policy interventions (like a tax increase, interest rate reduction, stimulus package, higher debt ceiling, deficit spending, or an austerity program).

The model simulates the impact on a) *short-term stability* (e.g. on unemployment, inflation, and interest rates), b) *long-term growth* (e.g. on the rate of GDP growth), and c) *average wellbeing* (influenced by consumption per person, unemployment, and inequity) of the working population.

The model covers the real economy (capacity, output, sales, consumption, investment, productivity, workforce, and unemployment) and the financial economy (the central bank deposit rate, interest rates, the debt level, taxes, government spending, and inflation). Importantly, the model tracks the distribution of income and wealth – among workers and owners.

The model fills a gap in the current literature. It is simple enough to support the public debate of macroeconomic issues (using conventional terminology) and still complex enough to recreate the dynamics that most informed commentators expect from policy interventions. It provides a consistent basis for a modern course in macroeconomics, and for continuing future enhancements into an ultimate 2052 model.

#### Keywords

Dynamic model of national economy, simulating macroeconomic policy, teaching macroeconomics, real and financial economy, business cycles, economic growth

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