

ABSTRACT

RELAXATION OSCILLATIONS EMERGING ON MONEY OR FINANCIAL ASSETS MARKET OR MODEL OF UNEXPECTED FLUCTUATIONS OF LONG-TERM REAL INTEREST RATE

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In these days, many experts and also the public more and more talk about unexpected fluctuations of different phenomena emerging in economics and about impacts of these fluctuations on economics. We try to show new view on this problems. We create model of seemingly unexpected fluctuation of long-term real interest rate.

This model is based on own new version of fundamental macroeconomic IS-LM model which eliminates two main deficiencies of original model: assumption of constant price level and assumption of strictly exogenous money supply. We formulate sufficient conditions for existence of special type of cycle resembled limit cycle called relaxation oscillation on money or financial assets market. Relaxation oscillations cause fluctuations of long-term real interest rate which seem to be unexpected.

In the second part of this contribution, we show how fiscal and monetary policy can influence the existence and process of relaxation oscillations on money market or the seemingly unexpected fluctuations of long-term real interest rate. We also suggest possible interaction between fiscal and monetary policy in our case.

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