Real Gross Domestic Product (GDPC1)
Source: U.S. Department of Commerce: Bureau of Economic Analysis

Shaded areas indicate US recessions.
2013 research.stlouisfed.org

Lucas (1987)

MODELS OF BUSINESS CYCLES

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

μ	$f(\mu, \mu_0)$
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: $g(\sigma_z^2)$

σ	σ_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)

FIGURE 2

Log consumption per capita, 1948–2003
Stabilization corresponds to filling in troughs

Sources: Consumption data from the Bureau of Economic Analysis; population data from the Census Bureau.
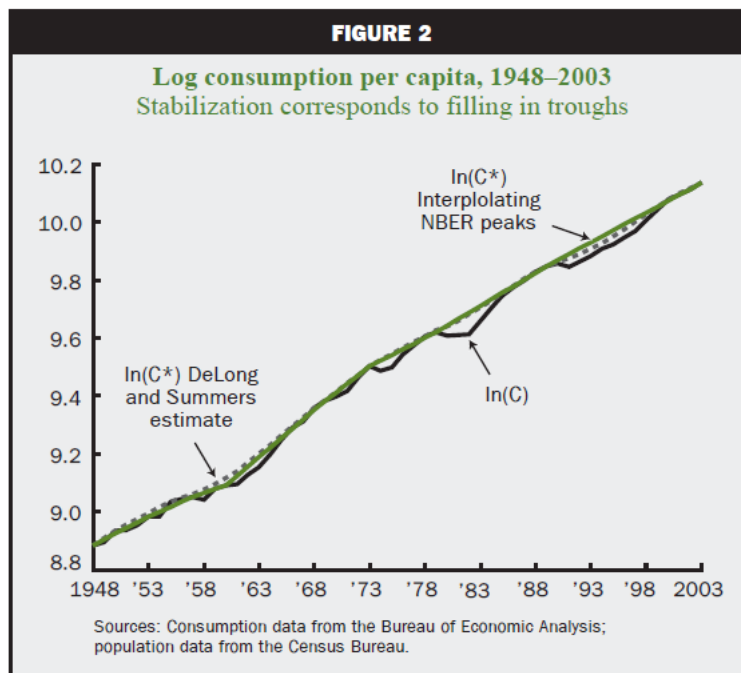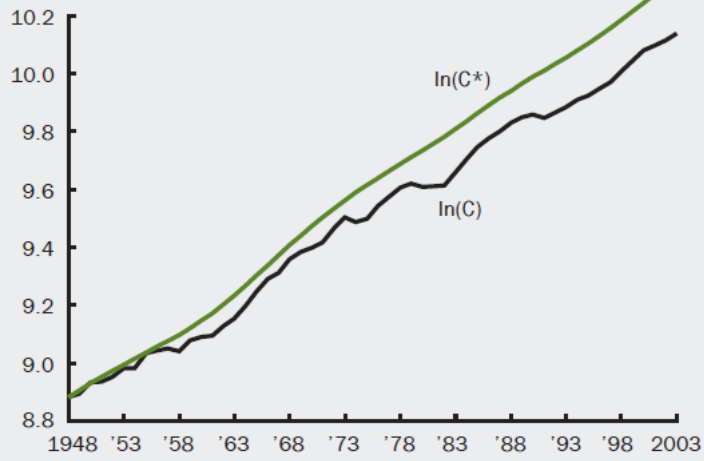
FIGURE 3

Log consumption per capita, 1948–2003
Stabilization affects trend growth

ln(C*)

ln(C)

Sources: Consumption data from the Bureau of Economic Analysis;
population data from the Census Bureau.