

# Endogenous Growth and Endogenous Business Cycles in an Overlapping Generations Economy with Credit Market Imperfections

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## Abstract

We study the dynamic properties of growth rates in an overlapping generations economy with credit market imperfections, constructing a Schumpeterian growth model. The analysis demonstrates that: (i) two steady-state equilibria arise as is usual in overlapping generations models with outside money and the growth rate of each increases as credit market imperfections are resolved; (ii) if credit market imperfections are severe or soft and if sunspots do not appear, the economy converges monotonically to a stable steady state; and (iii) if credit market imperfections are moderate, deterministic cycles or chaos would arise in equilibrium.

**Keywords:** Endogenous growth; Endogenous business cycles; Credit market imperfections; Heterogeneous agents; Chaotic dynamics.

**JEL Classification Numbers:** E22, E23, O41.