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**IMBALANCE EFFECTS IN THE LUCAS MODEL:
AN ANALYTICAL EXPLORATION**

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Abstract

In this note, we use a technique analogous to Xie's method (1994) to solve analytically the Lucas model with externality in a specific parametric case. In particular, we characterize the shape of imbalance effects in this model. Our results are entirely consistent with the findings of the related computational literature. Moreover, our analytical investigation tends to show that these findings are robust to the presence of the Lucas externality as long as a unique equilibrium path exist

Keywords: imbalance effects, Lucas model, externality, analytical solution.

JEL Classification: C61, C62, O41.

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