

## Abstract

We show that indeterminacy can easily arise in multisector models that have constant variable returns to scale and very small market imperfections. This is in sharp contrast to models that require increasing returns to generate indeterminacy, and which have been criticized on the basis of recent empirical estimates indicating that returns to scale are roughly constant, and that market imperfections are small. We also show that we can calibrate our constant returns model with sunspots, using standard parametrizations to produce a close match to the moments of aggregate consumption, investment, output and employment in U.S. data.

Journal of Economic Literature Classification Numbers: E00, E3, O40.

Key words: indeterminacy, multiple equilibria, sunspots.