

1 Chapter 4 (Part 2) : Endogenous Growth Model

- Growth facts: Absolute convergence, Conditional convergence
- u = time allocated to work , b = efficiency of human capital accumulation.
- $Y = zuH^d$, $C = uwH^S$, $\pi = (z - w)uH^d$
- Equilibrium in human capital market
- The law of motion of human capital
- Balance growth path
- Source of growth
- Government policy
- Convergence : rich and poor never converge

2 Chapter 5 : Two Period Real Intertemporal Model

- The consumer makes **intertemporal choice** between current consumption and future consumption.
- Key trade-off : consuming today or consuming tomorrow or the consumption-saving decision, real interest rate
- The consumer's life time budget constraint
- borrower and lender
- increase in y
- increase in y'
- temporary and permanent increase in income
- effect of temporary and permanent tax cut
- effect of an increase in interest rate
- Ricardian Equivalence

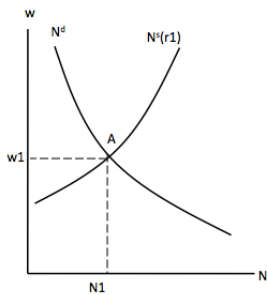
3 Chapter 6 : Real Intertemporal Model

- Y^d , Y^s
- Shocks Experiments

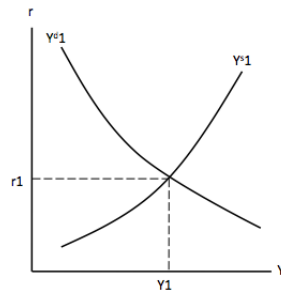
4 Chapter 7 : Closed Economy Monetary Intertemporal Model.

4.1 Current government purchases increases temporarily (G);

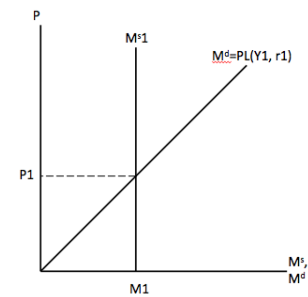
Labour Market



Output Market

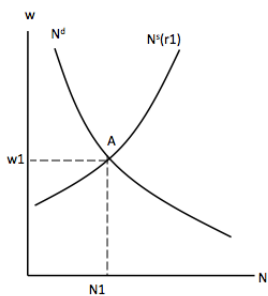


Money Market

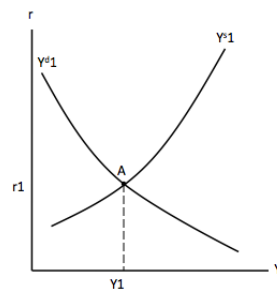


4.2 A decrease in current capital stock (K)

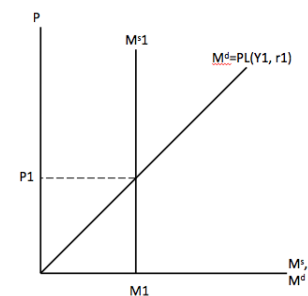
Labour Market



Output Market

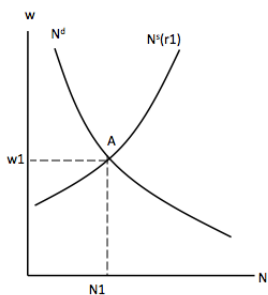


Money Market

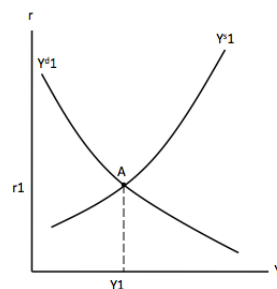


4.3 An increase in Current Total Factor Productivity (Z)

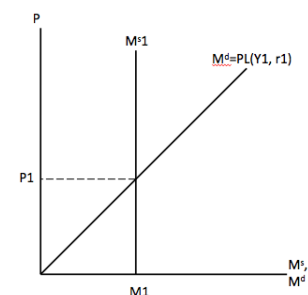
Labour Market



Output Market

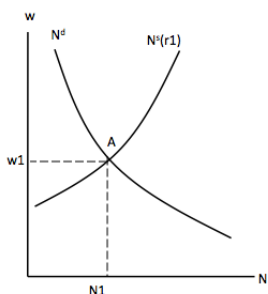


Money Market

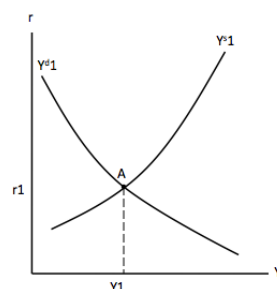


4.4 An increase in future Total Factor Productivity (Z')

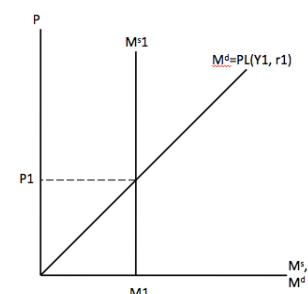
Labour Market



Output Market



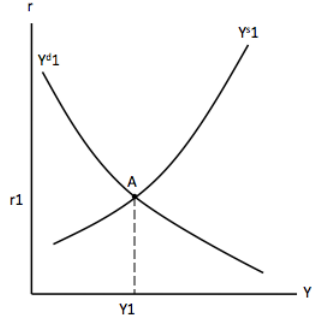
Money Market



5 Chapter 8 : Real Business Cycle Model

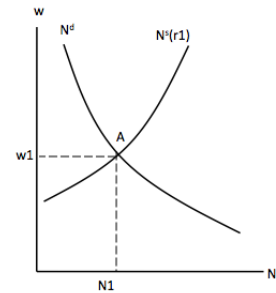
5.1 TFP shocks as a cause of business cycle

Output Market



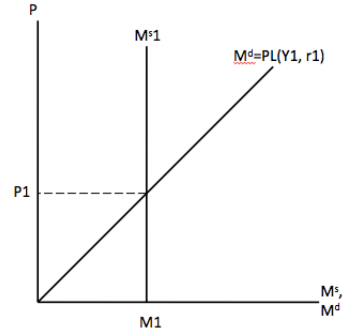
(effect of Δz is stronger)

Labour Market

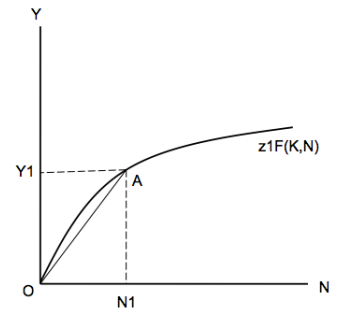


(effect of Δr is small)

Money Market

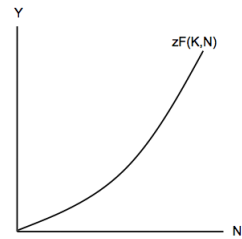


• Productivity

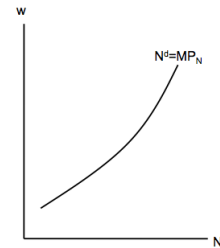


5.2 Co-ordination Failure

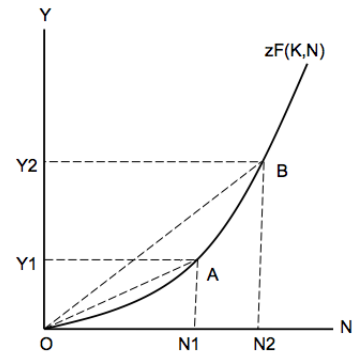
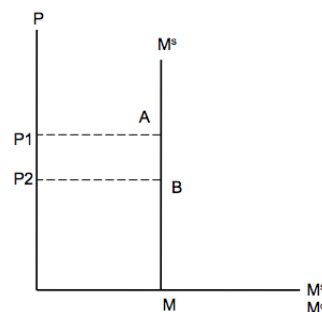
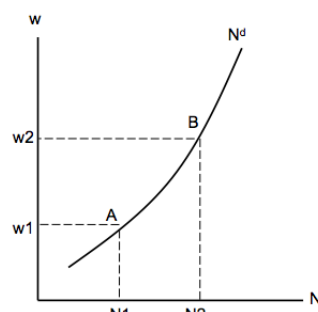
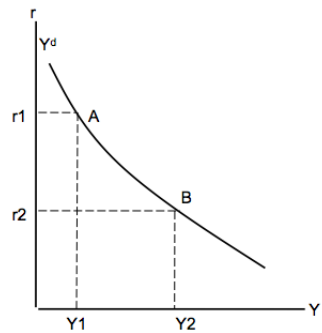
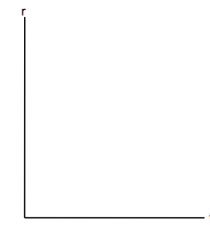
Production Function



Labour Market

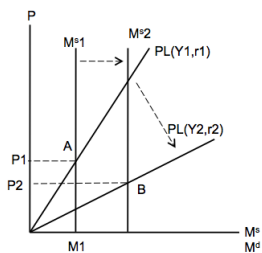


Output Supply Curve



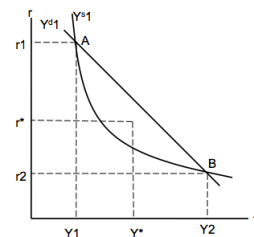
5.3 Money as a sunspot and Policy action

• Money Supply as a Sunspot



- Changes in M^S trigger alternate movements between A and B .

• Policy Action :

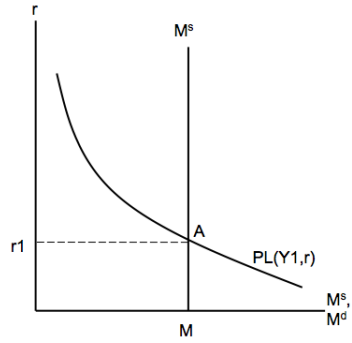


- Multiple equilibria are eliminated.
- Social welfare is worse than 'good' equilibrium but with less uncertainty and fluctuations.

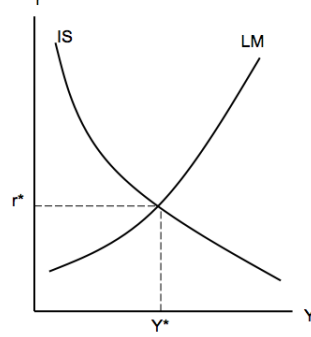
6 Chapter 9. Keynesian Sticky Wage Model

6.1 Non-Neutrality of Money

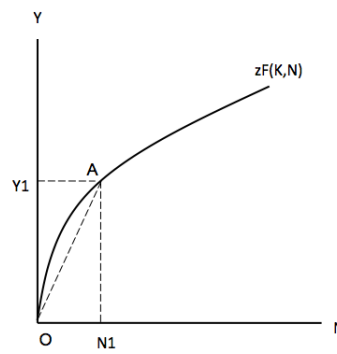
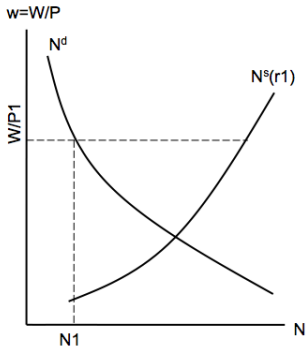
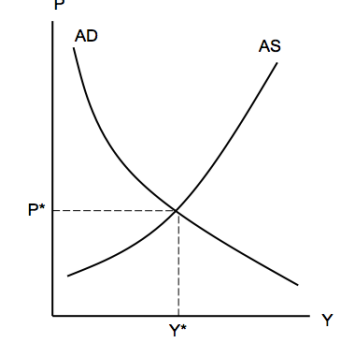
Money Market



IS-LM

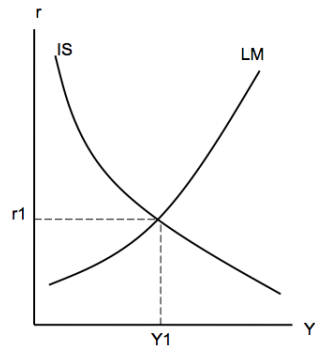


AD-AS

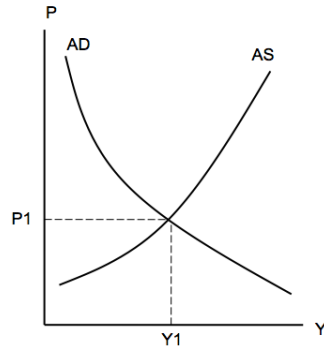


6.2 AD shocks as a cause of cycle

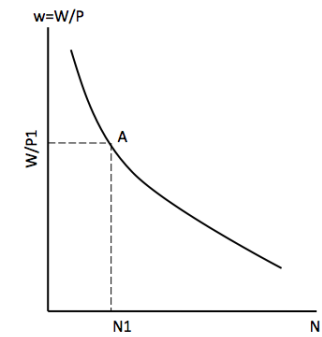
IS-LM : $I \uparrow$



AD-AS



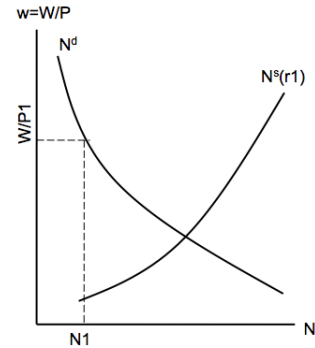
Labour Market



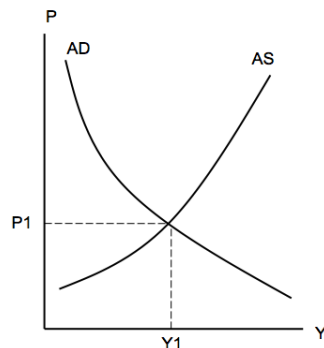
6.3 Keynesian short run and long run

6.3.1 Long-run market adjustment

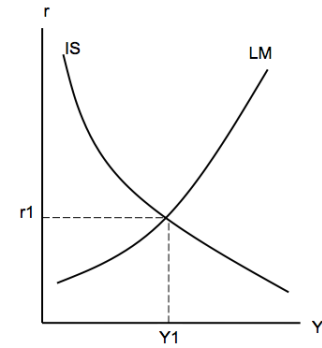
Labour Market



AD-AS: good market adjustment



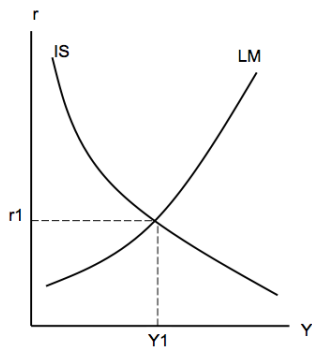
IS-LM



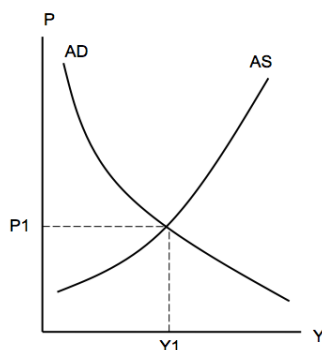
6.4 Keynesian Stabilization Policy : counter cyclical policy

6.4.1 Easy-money policy

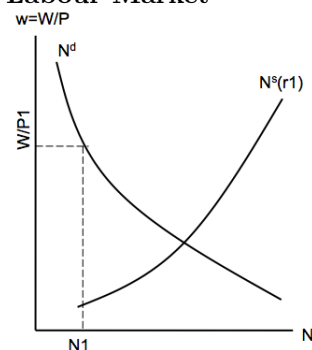
IS-LM :



AD-AS

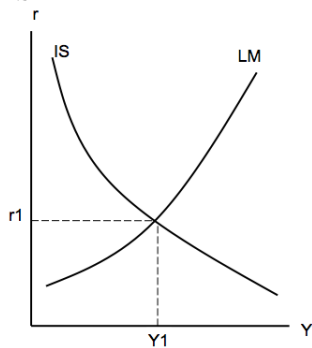


Labour Market

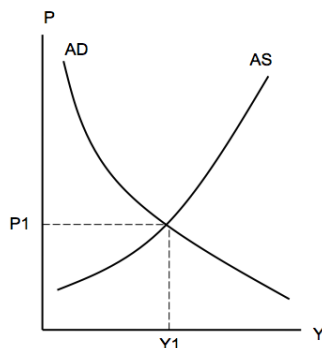


6.4.2 Expansionary fiscal policy

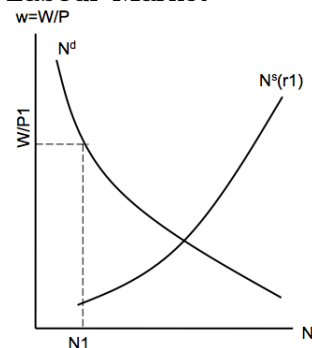
IS-LM :



AD-AS



Labour Market



7 Chapter 8 and Chapter 9

Real Business Cycle Model (CH8)	Keynesian Sticky Wage Model (CH9)
1. Output Demand-Output Supply Y^s Y^d	1. Sticky Wage Model : IS-LM, AD-AS AS AD :
2. Neutrality of Money Endogenous Money	2. Non-Neutrality of Money
3. Shocks in TFP = cause of business cycle	3. AD shocks = cause of business cycle
4. (CH8) Keynesian Coordination Failure Model	4. Keynesian SR and LR adjustments 4.1 LR adjustment 4.2 Stabilization Policy