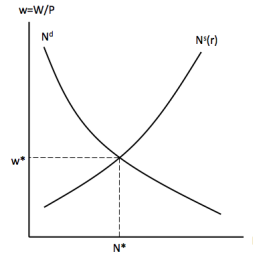


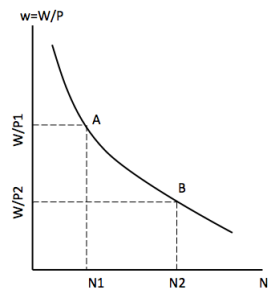
1 Sticky Wage Model

1.1 Output Supply Curve

- $w^* = \frac{W^*}{P^*}$
- If W is fixed at W_1 ($W_1 > W^*$) $\Rightarrow w_1 = \frac{W_1}{P^*} \dots \frac{W^*}{P^*}, N_1 \dots N^*$
- If W is fixed at W_2 ($W_2 > W^*$) $\Rightarrow w_2 = \frac{W_2}{P^*} \dots \frac{W^*}{P^*}, N_2 \dots N^*$



Labour Market



Production Function



Output Supply Curve

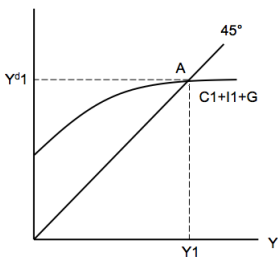


- Output is not related to the real interest rate. / Higher $W \Rightarrow AS$ shift to the / Lower $z \Rightarrow AS$ shift to the

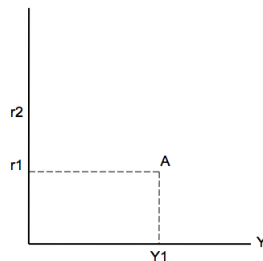
1.2 Output Demand Curve

1.2.1 IS curve

Income-Expenditure Identity



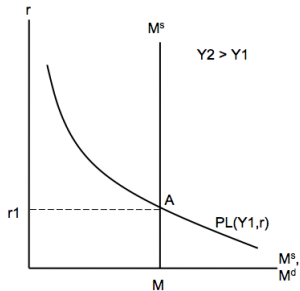
IS Curve



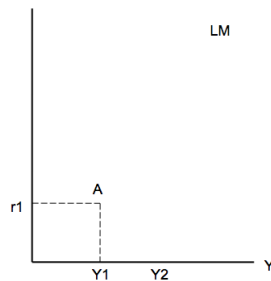
- IS curve shifts to the **right**
 G PV of taxes (T)
an anticipated in future income.
current and future C
current capital stock K
future TFP (z')
(MP'_K I^d )

1.2.2 LM curve

Money Market Equilibrium



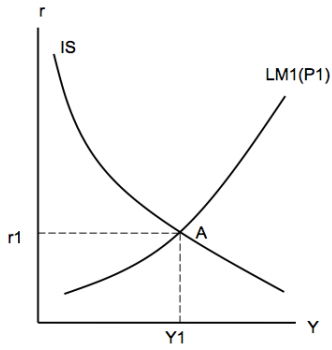
LM Curve



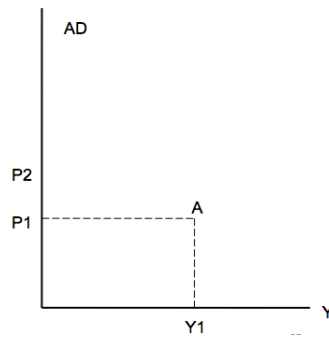
- LM curve shifts to the **right**
 M^s
 P
 M^d

1.2.3 AD curve

Simultaneous Equilibrium



AD Curve

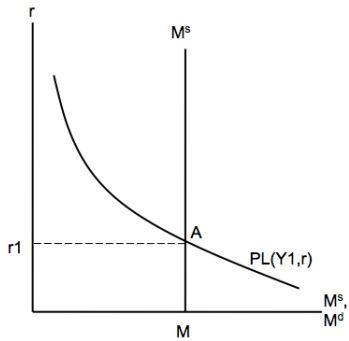


- If the IS curve shifts right, the AD shifts right.
 G , PV of taxes (T)
 current capital stock K
 future TFP (z')
- If the LM curve shifts right, the AD shifts right.
 M^s , P , M^d

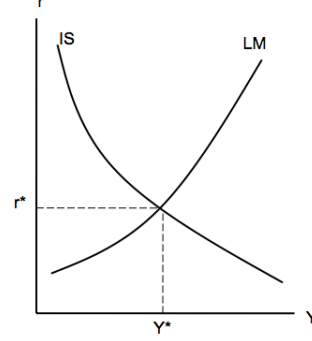
1.3 IS-LM, AD-AS, Labour Market

2 Non-Neutrality of Money

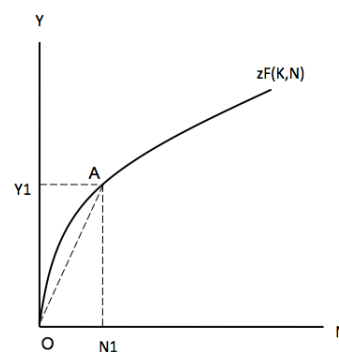
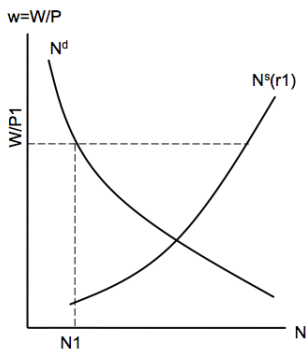
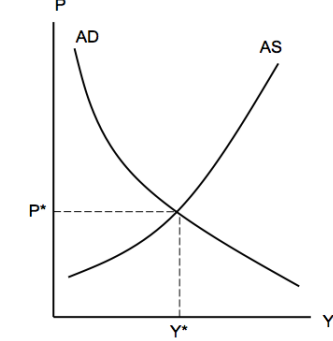
Money Market



IS-LM

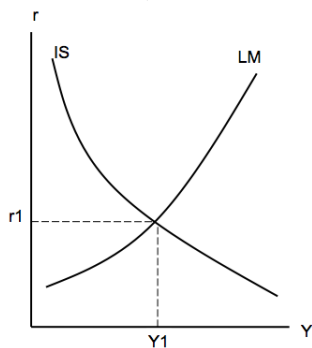


AD-AS

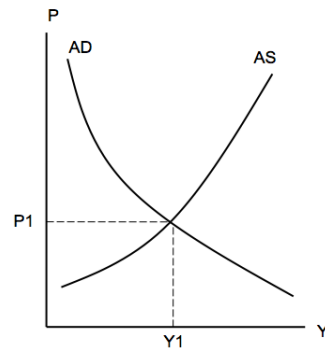


3 AD shocks as a cause of cycle

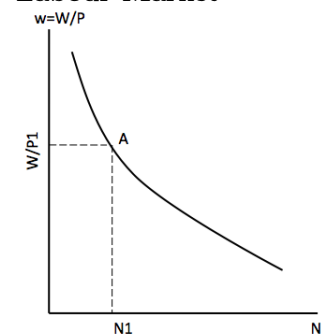
IS-LM : $I \uparrow$



AD-AS



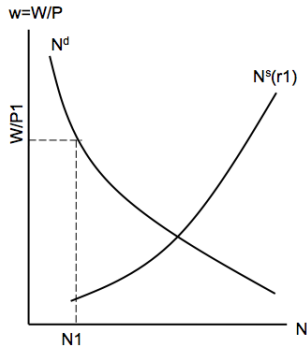
Labour Market



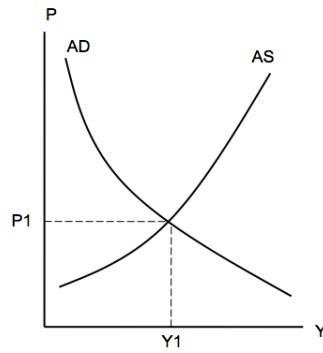
4 Keynesian short run and long run

4.1 Long-run market adjustment

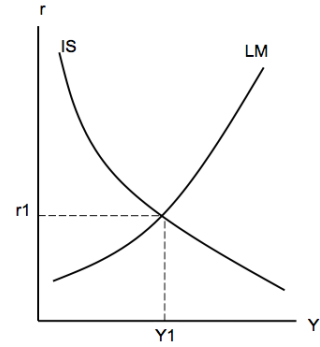
Labour Market



AD-AS: good market adjustment



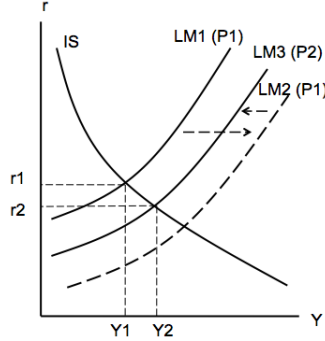
IS-LM



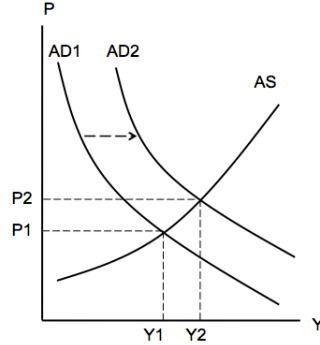
4.2 Keynesian Stabilization Policy : counter cyclical policy

4.2.1 Easy-money policy

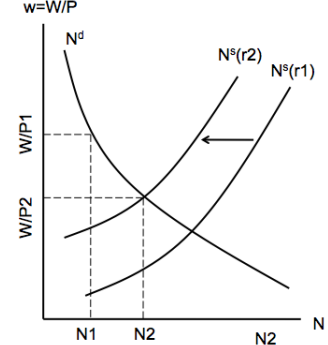
IS-LM :



AD-AS

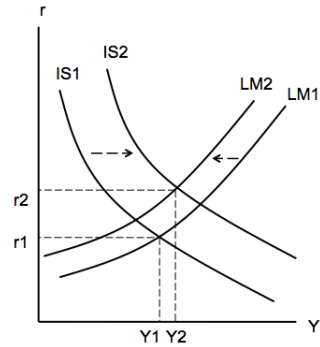


Labour Market

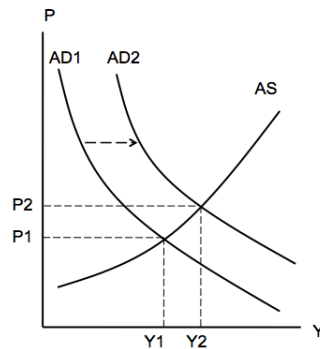


4.2.2 Expansionary fiscal policy

IS-LM :



AD-AS



Labour Market

