

1 Real Intertemporal Model

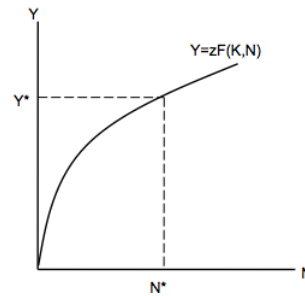
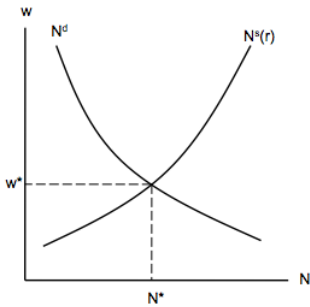
1. Consumers : $MRS_{\ell,C} = \dots\dots\dots$, $MRS_{\ell',C'} = \dots\dots\dots$, $MRS_{C,C'} = \dots\dots\dots$
 - (a) Labour Supply
 - Labour supply curve slopes $\dots\dots\dots$ because $\dots\dots\dots$
 - An increase in interest rate causes labour supply curve $\dots\dots\dots$ because $\dots\dots\dots$
 - An increase in life time wealth causes labour supply curve $\dots\dots\dots$ because $\dots\dots\dots$
 - (b) Current Consumption
 - An increase in y causes c to $\dots\dots\dots$ because $\dots\dots\dots$
 - An increase in interest rate causes c to $\dots\dots\dots$ for all levels of y because $\dots\dots\dots$
 - An increase in life time wealth causes c to $\dots\dots\dots$ for all levels of y because $\dots\dots\dots$
2. Firms :
 - (a) Labour Demand
 - Labour supply curve slopes $\dots\dots\dots$ because $\dots\dots\dots$
 - An increase in z or K causes labour demand curve $\dots\dots\dots$ because $\dots\dots\dots$
 - (b) Investment Decision
 - Optimal investment decision : $\dots\dots\dots$
 - Higher z' or lower K causes MP'_K to $\dots\dots\dots$ and optimal investment curve shifts to $\dots\dots\dots$

2 Competitive Equilibrium

2.1 Aggregate output supply

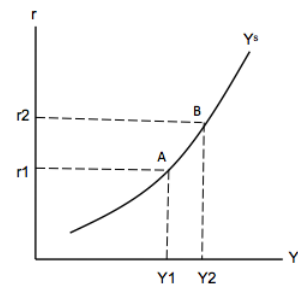
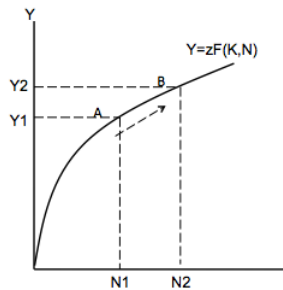
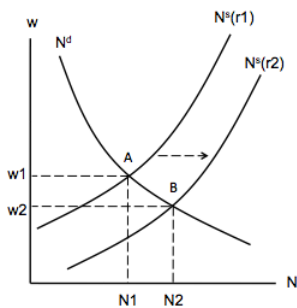
2.1.1 Aggregate output supply

- Equilibrium in labour market
- Aggregate output supplied

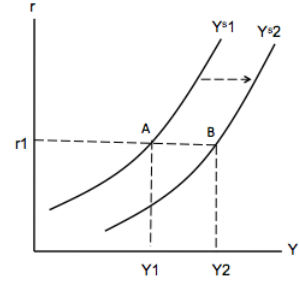
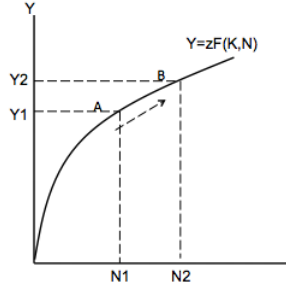
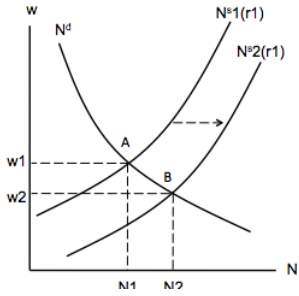


2.1.2 Shift in aggregate output supply

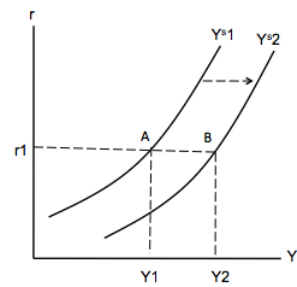
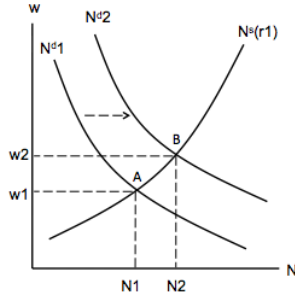
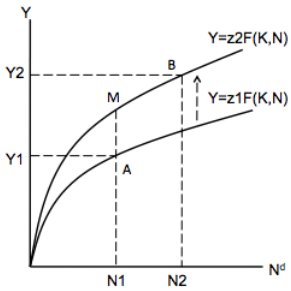
1. an increase in interest rate



2. A decrease in lifetime wealth

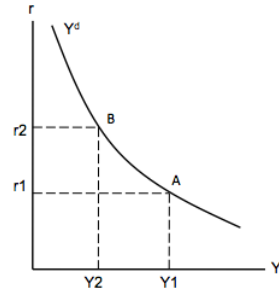
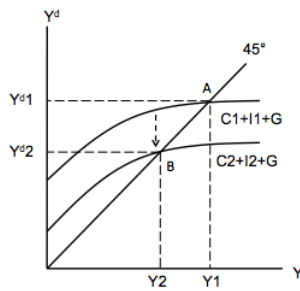
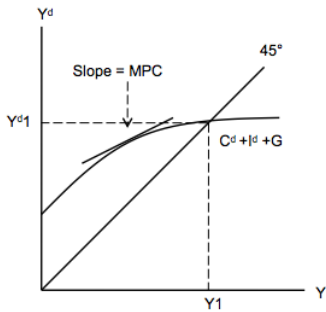


3. An increase in z or K



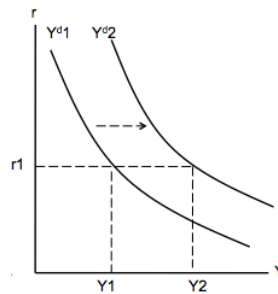
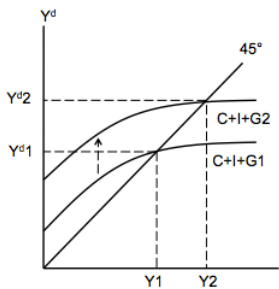
2.2 Current Output Demand

2.2.1 Current output demand



2.2.2 Shifts in current output demand

- Rightward shifts : $G \uparrow, T, T' \downarrow, Y' \uparrow, z' \uparrow$ or $K \uparrow, MP'_K \uparrow$ or $I^d \uparrow$.



2.3 Complete real intertemporal model

