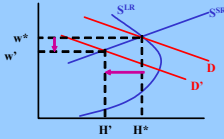
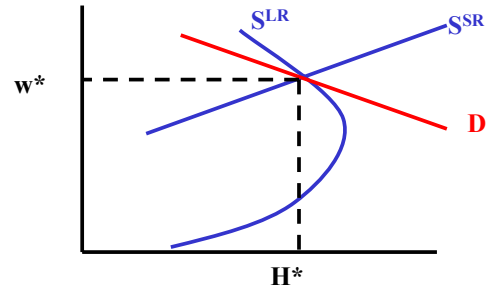


## Some Simple Applications



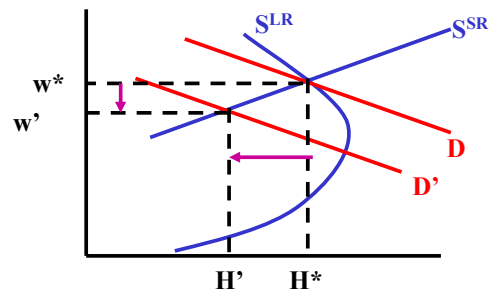
## Labor Supply and Demand



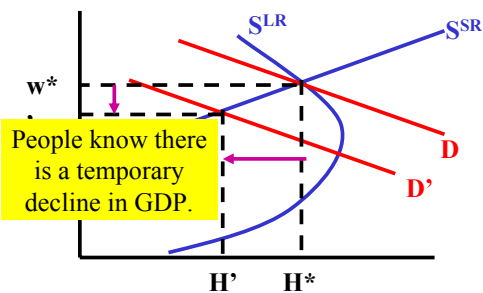
## Summary

Demand for Labor	Wage Rate	Hours of Work
Permanent Increase in Demand for Labor	$w^+$	$H^-$
Temporary Increase in Demand for Labor	$w^+$	$H^+$
Permanent Decrease in Demand for Labor	$w^-$	$H^+$
Temporary Decrease in Demand for Labor	$w^-$	$H^-$

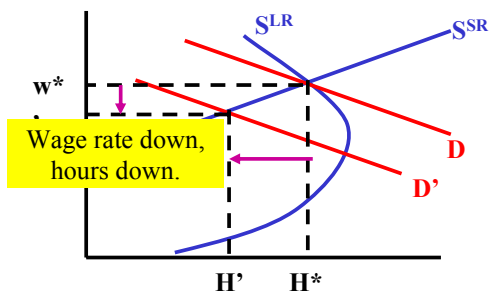
## A Recession



## A Recession



## A Recession



## A War

- There is a sharp, temporary increase in defense spending, paid for by additional taxes.

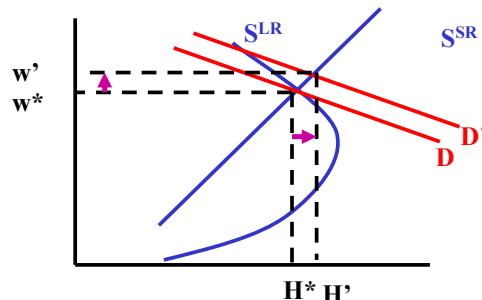
## A War

- There is a sharp, temporary increase in defense spending, paid for by additional taxes.
- Consumers know the taxes will not last forever. Consumption goes down but only by a fraction of the tax increase.

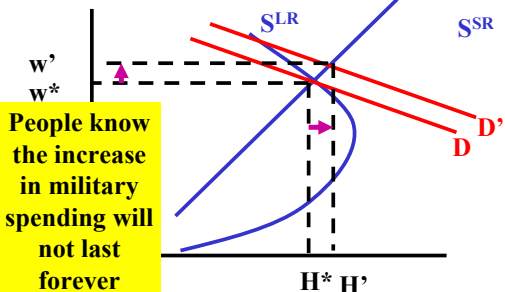
## A War

- There is a sharp, temporary increase in defense spending, paid for by additional taxes.
- Consumers know the taxes will not last forever. Consumption goes down but only by a fraction of the tax increase.
- Demand for workers goes up.

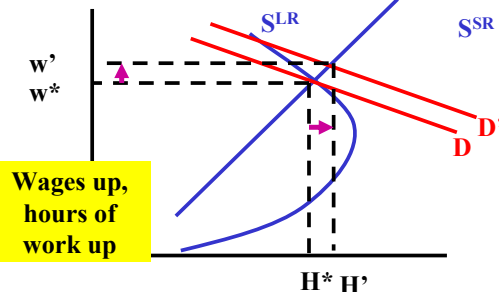
## A War



## A War



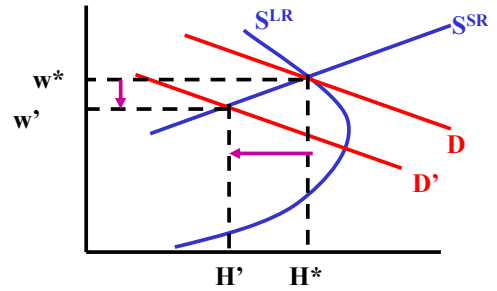
## A War



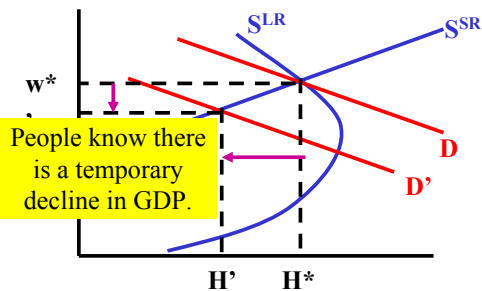
## A Drought

- This drought will not last forever, but there is a reduction in the demand for laborers.

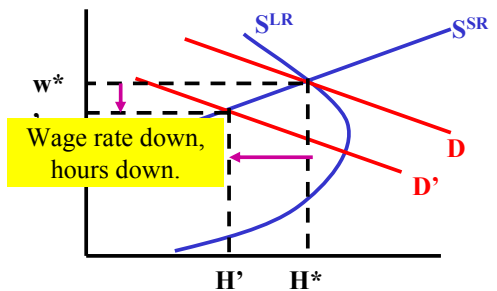
## A Drought



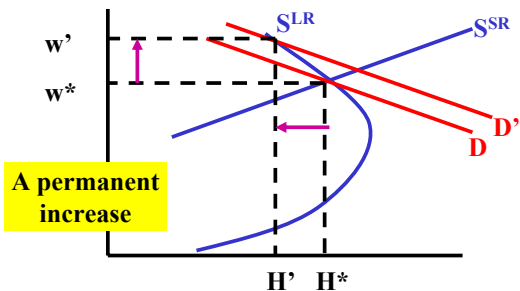
## A Drought



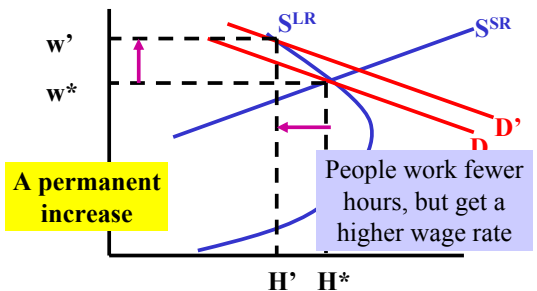
## A Drought

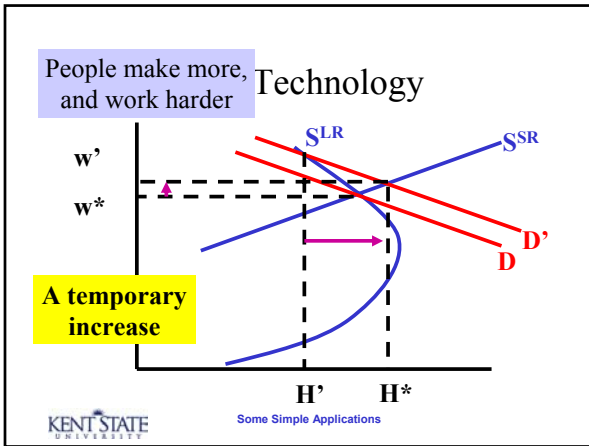


## New Technology



## New Technology





### Any Temporary Increase in Government Spending

- We want to spend money to get us out of a recession.

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Some Simple Applications

### Any Temporary Increase in Government Spending

- We want to spend money to get us out of a recession.
- The government pays for the additional spending by borrowing.

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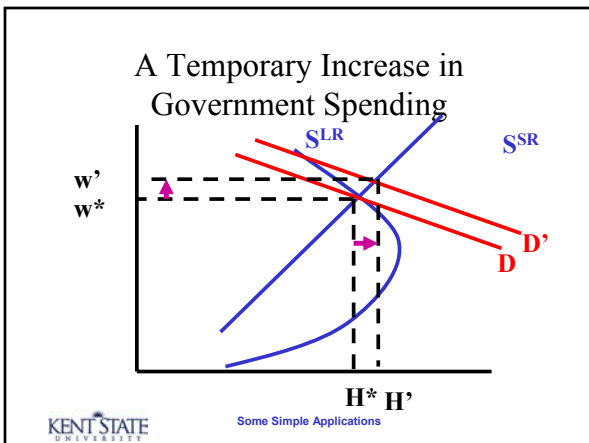
Some Simple Applications

### Any Temporary Increase in Government Spending

- We want to spend money to get us out of a recession.
- The government pays for the additional spending by borrowing.
- Lets ignore the impact the borrowing has on consumption.

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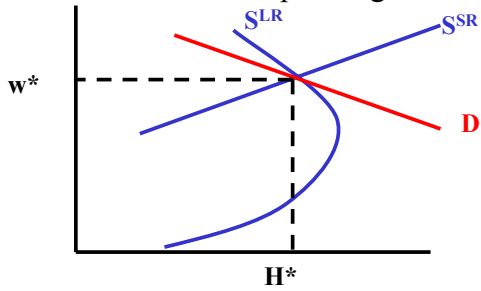
### A Permanent Increase in Government Spending

- The government decides to spend on a new program, which will continue for a long time.
- It raises taxes to cover the cost.
- The reduction in consumption demand will offset the increase in government spending.

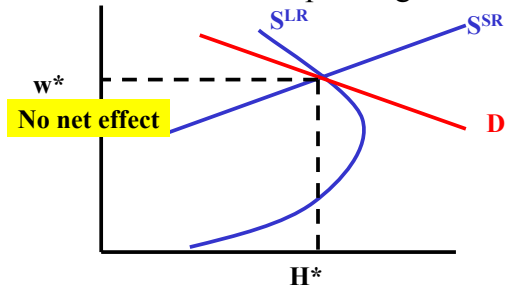
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### A Permanent Increase in Government Spending



### A Permanent Increase in Government Spending



End

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