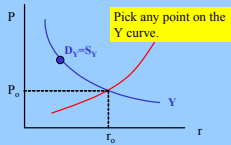
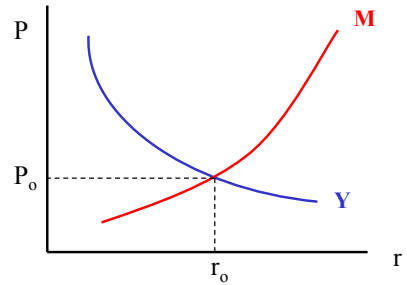


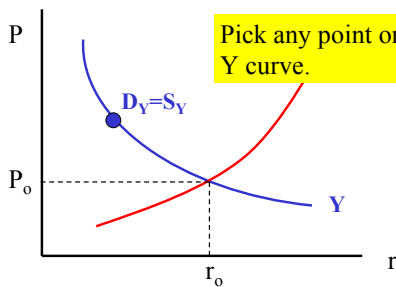
A Change in ξ



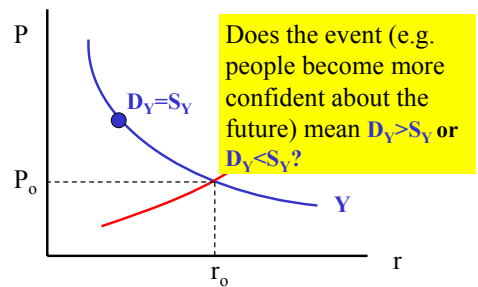
The Y and M Curves



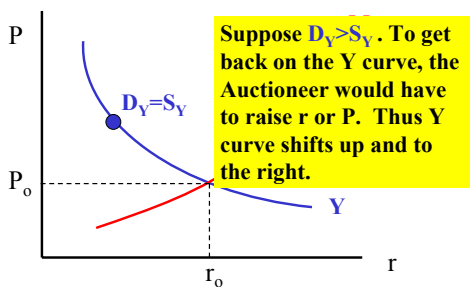
The Y Curve



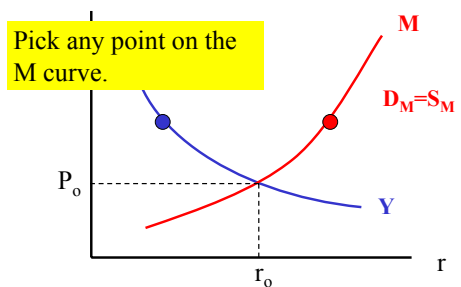
The Y Curve



The Y Curve

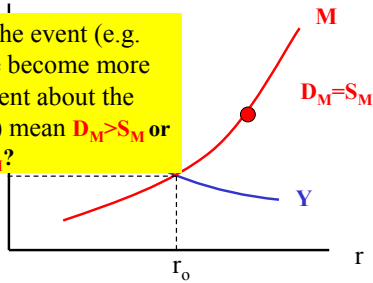


The M Curve



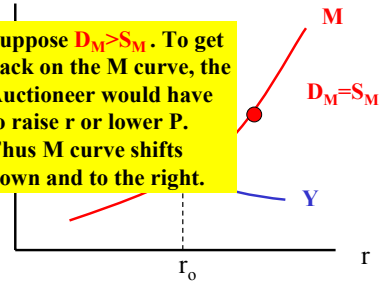
The M Curve

Does the event (e.g. people become more confident about the future) mean $D_M > S_M$ or $D_M < S_M$?



The M Curve

Suppose $D_M > S_M$. To get back on the M curve, the Auctioneer would have to raise r or lower P . Thus M curve shifts down and to the right.

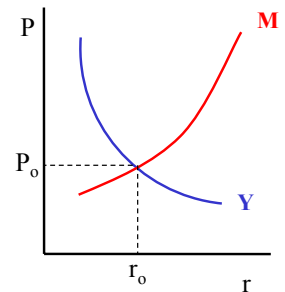


Some Problems

- Credit cards are outlawed
 - An increase in ξ
- Drugs are legalized
 - A decrease in ξ

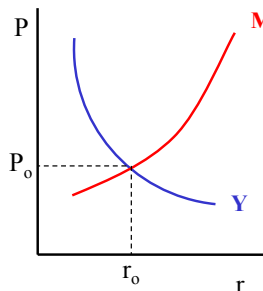
A Change in ξ

- If credit cards are outlawed, ξ goes up.
 - More money is required as a replacement for credit cards..



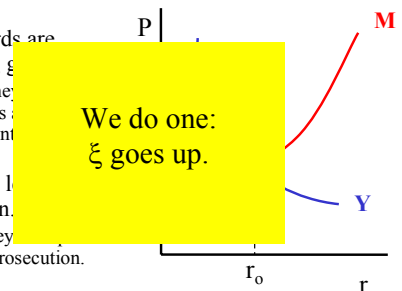
A Change in ξ

- If credit cards are outlawed, ξ goes up.
- If drugs are legalized, ξ goes down.
 - Less money is required to avoid prosecution.



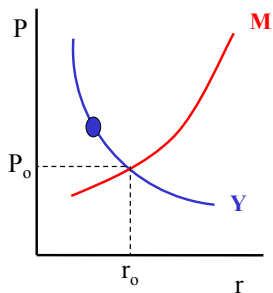
A Change in ξ

- If credit cards are outlawed, ξ goes up.
 - More money is required as a replacement for credit cards..
- If drugs are legalized, ξ goes down.
 - Less money is required to avoid prosecution.



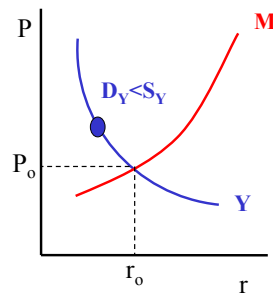
A Change in ξ

- Pick a point on the Y curve.



A Change in ξ

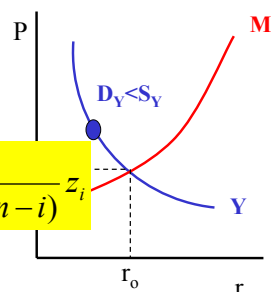
- Pick a point on the Y curve.
- $D_Y < S_Y$



A Change in ξ

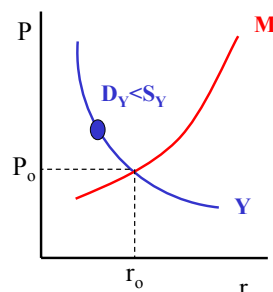
- Pick a point on the Y curve.
- $D_Y < S_Y$

$$c_i = \frac{1}{n-i+1+\xi(n-i)} z_i$$



A Change in ξ

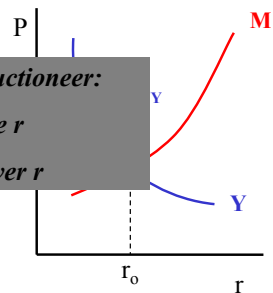
- Pick a point on the Y curve.
- $D_Y < S_Y$
- The Auctioneer must raise D_Y



A Change in ξ

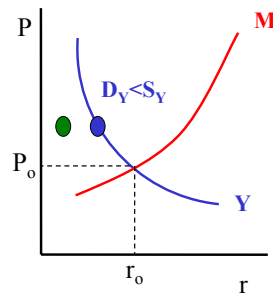
- Pick a point on the Y curve.
- $D_Y < S_Y$
- The Auctioneer must raise D_Y

Memo to the auctioneer:
 To cut D_Y , raise r
 To raise D_Y , lower r



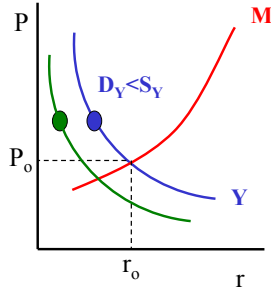
A Change in ξ

- Pick a point on the Y curve.
- $D_Y < S_Y$
- The Auctioneer must raise D_Y



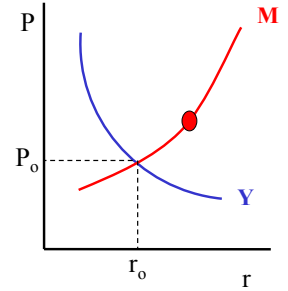
A Change in ξ

- Pick a point on the Y curve.
- $D_Y < S_Y$
- The Auctioneer must raise D_Y
- The Y curve shifts down and to the left



A Change in ξ

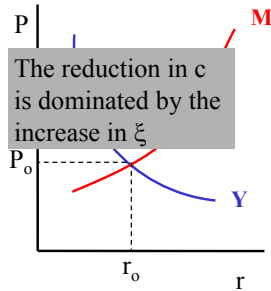
- Pick a point on the M curve.



A Change in ξ

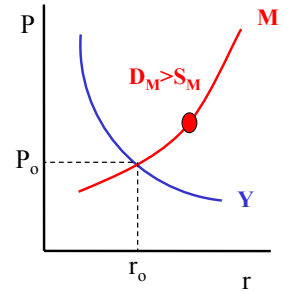
- Pick a point on the M curve.
- $D_M > S_M$

$$m_i = \xi \frac{1+r_n}{r_n} c_i$$



A Change in ξ

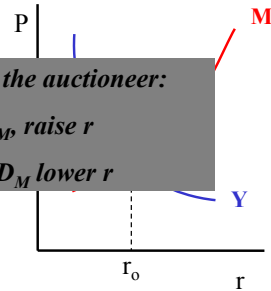
- Pick a point on the M curve.
- $D_M > S_M$
- The Auctioneer must lower D_M



A Change in ξ

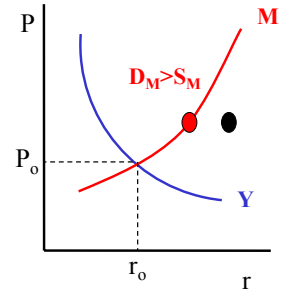
- Pick a point on the M curve.
- $D_M > S_M$
- The Auctioneer must lower D_M

Memo to the auctioneer:
 To cut D_M , raise r
 To raise D_M , lower r



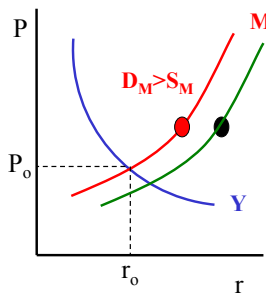
A Change in ξ

- Pick a point on the M curve.
- $D_M > S_M$
- The Auctioneer must lower D_M



A Change in ξ

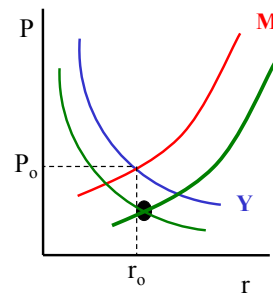
- Pick a point on the M curve.
- $D_M > S_M$
- The Auctioneer must lower D_M
- The M curve shifts down and to the right



A Change in Tsi

A Change in ξ

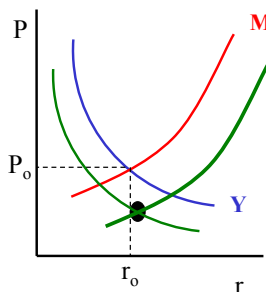
- The Y curve shifts down and to the left.
- The M curve shifts down and to right



A Change in Tsi

A Change in ξ

- The Y curve down and to the left.
- The M curve shifts down and to right
- P down
- Interest rate is uncertain.



A Change in Tsi

End

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A Change in Tsi