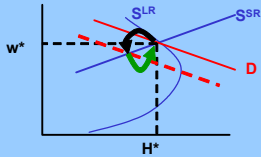


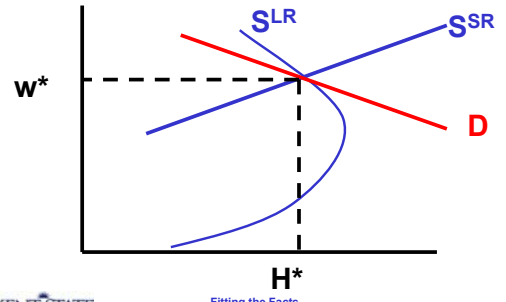
Fitting the Facts



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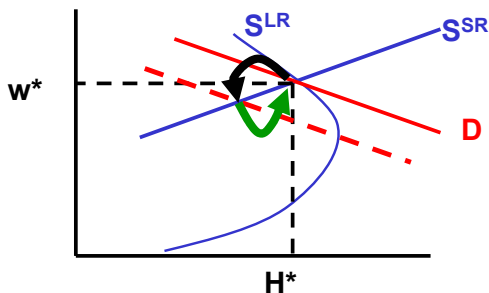
Differences



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Fitting the Facts

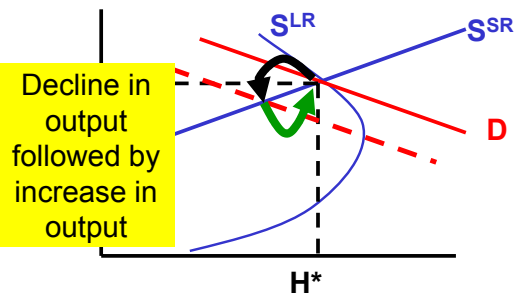
A Temporary Demand Decrease



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Fitting the Facts

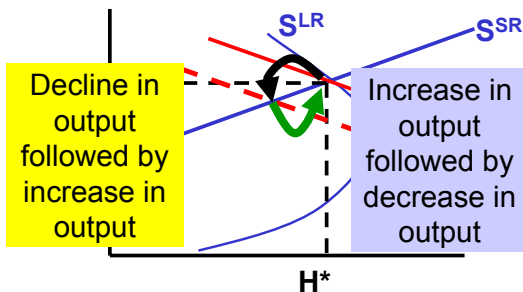
A Temporary Demand Decrease



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Fitting the Facts

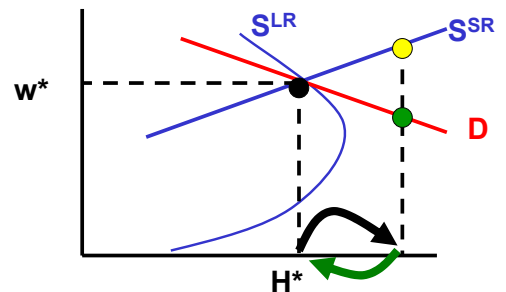
A Temporary Demand Decrease



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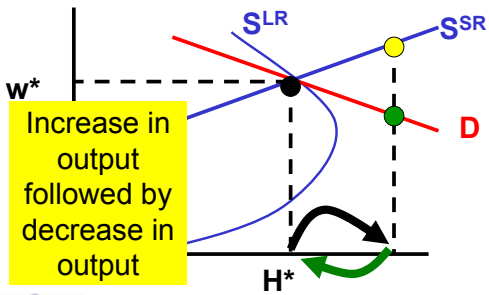
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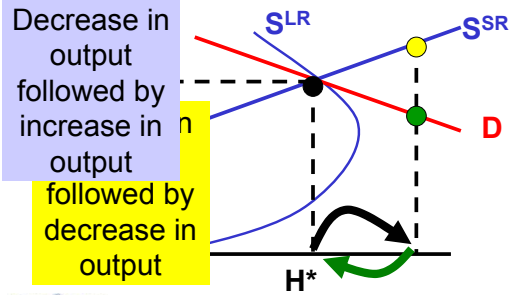
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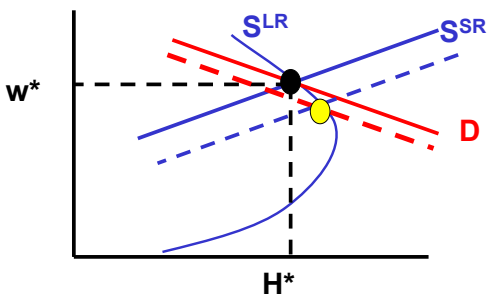
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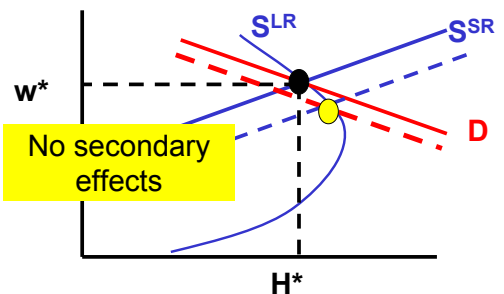
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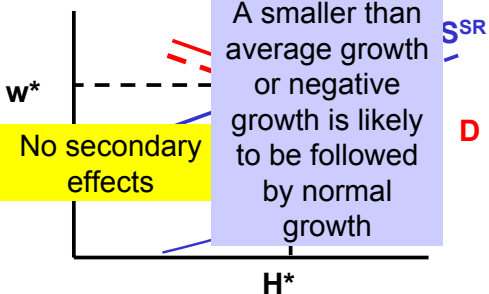
Technology Decline



Technology Decline



Technology Decline



Technology Shift

$$\left(\frac{\Delta A}{A}\right)_t = \beta + \varepsilon_t$$

$$\left(\frac{\Delta A}{A}\right)_{t-1} = \beta + \varepsilon_{t-1}$$

Technology Shift

$$\text{corr}\left[\left(\frac{\Delta A}{A}\right)_t, \left(\frac{\Delta A}{A}\right)_{t-1}\right] = \text{corr}(\varepsilon_t, \varepsilon_{t-1}) = 0$$

Technology Shift

$$\text{corr}\left[\left(\frac{\Delta Y}{Y}\right)_t, \left(\frac{\Delta Y}{Y}\right)_{t-1}\right] = 0$$

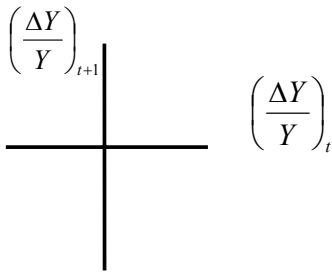
Imperfect Information Model

$$\text{corr}\left[\left(\frac{\Delta Y}{Y}\right)_t, \left(\frac{\Delta Y}{Y}\right)_{t-1}\right] < 0$$

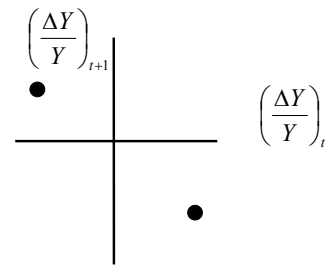
Temporary Demand Shift Model

$$\text{corr}\left[\left(\frac{\Delta Y}{Y}\right)_t, \left(\frac{\Delta Y}{Y}\right)_{t-1}\right] < 0$$

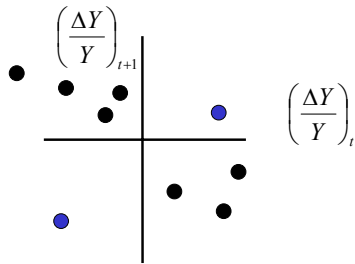
Which Fits the Facts



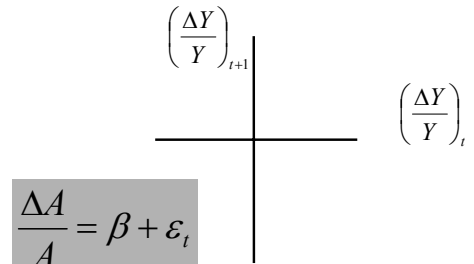
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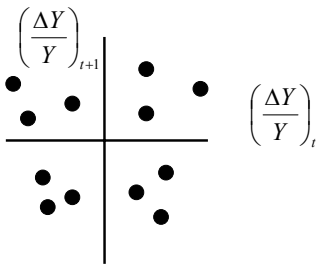
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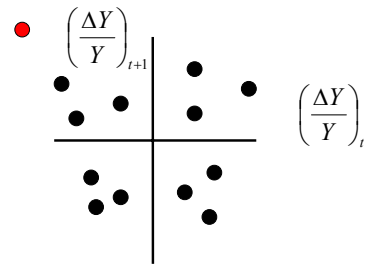
Real Business Cycles



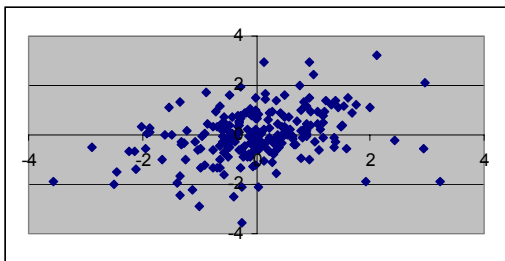
Real Business Cycles



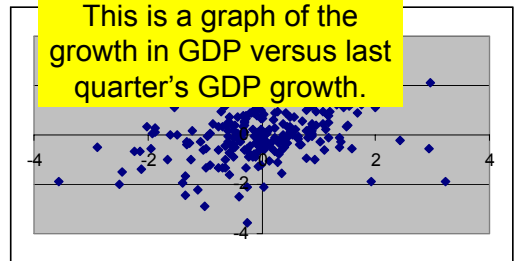
Real Business Cycles



So what are the facts



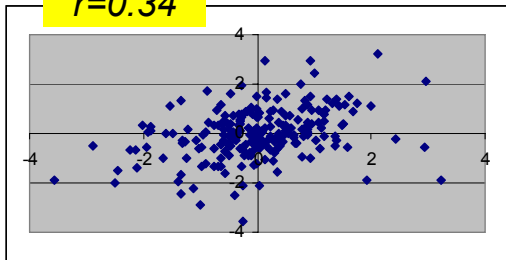
So what are the facts



This is a graph of the growth in GDP versus last quarter's GDP growth.

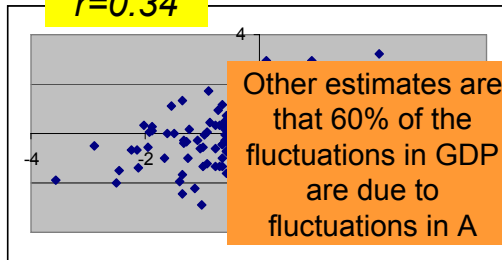
So what are the facts

$r=0.34$



So what are the facts

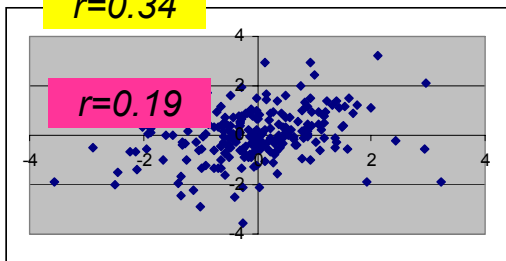
$r=0.34$



So what are the facts

$r=0.34$

$r=0.19$

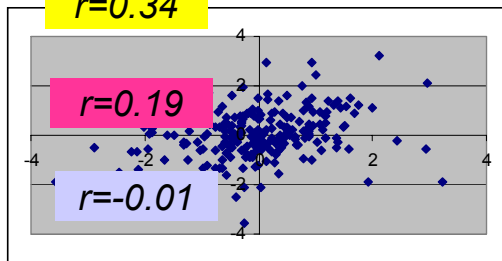


So what are the facts

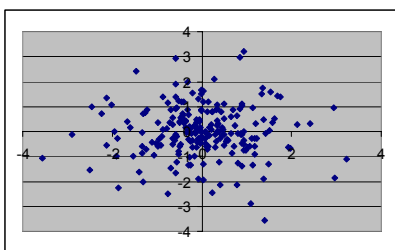
$r=0.34$

$r=0.19$

$r=-0.01$



Three Quarter Lag



End

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