Lecture Recap

DAD/DAS Building Blocks

Demand for goods/services: $Y_t = \bar{Y}_t - \alpha(r_t - \rho) + \epsilon_t$

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- 5 parameters ($\alpha, \rho, \phi, \theta_\pi, \theta_Y$).
- One predetermined variable (π_{t-1}).

Lecture Recap

DAD/DAS

- Dynamic AS curve:

$$\pi_t = \pi_{t-1} + \phi(Y_t - \bar{Y}_t) + v_t$$

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$$\frac{d\pi_t}{dY_t} = -\frac{1+\alpha\theta_Y}{\alpha\theta_\pi}$$