

Lecture Recap

(Dynamic AD-AS Model)



DAD/DAS Building Blocks

Demand for goods/services:

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- ▶ 4 exogenous variables ($\bar{Y}_t, \pi_t^*, \epsilon_t, v_t$); “shocks”.
- ▶ 5 parameters ($\alpha, \rho, \phi, \theta_\pi, \theta_Y$).
- ▶ One predetermined variable (π_{t-1}).



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