

ECON 356

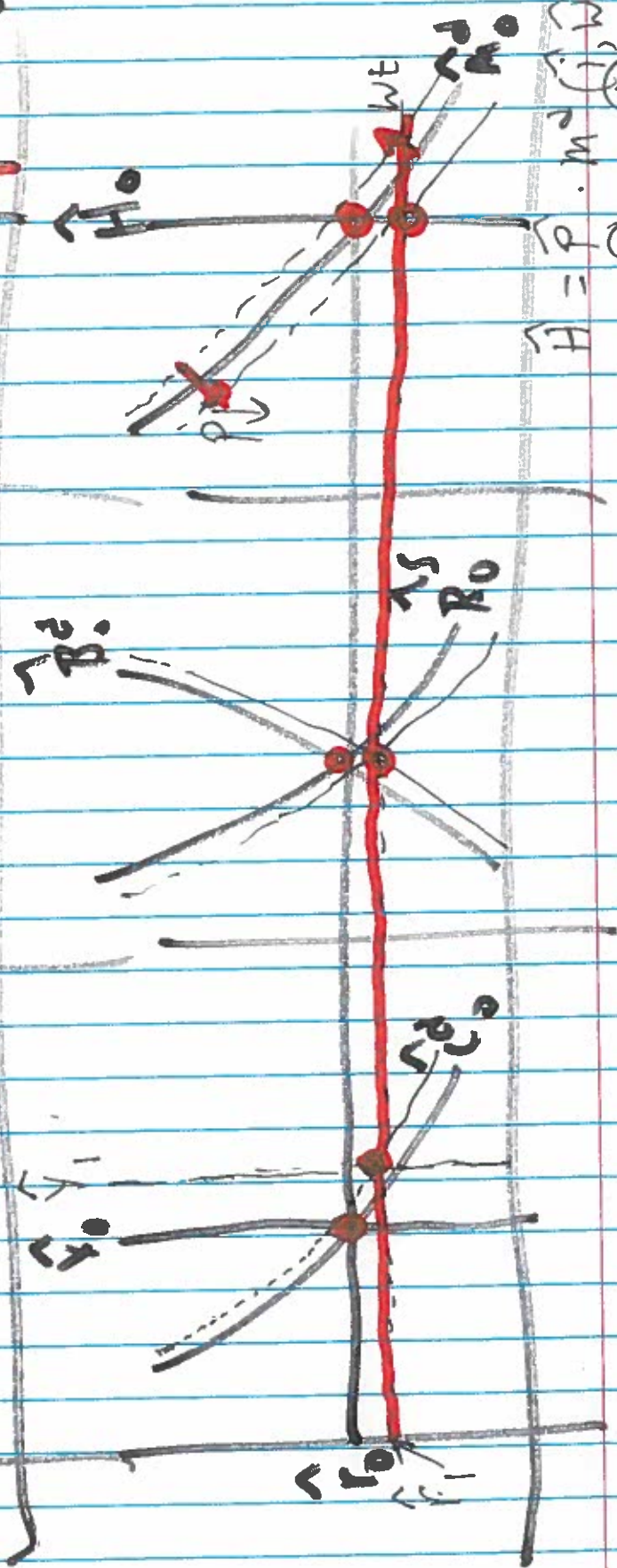
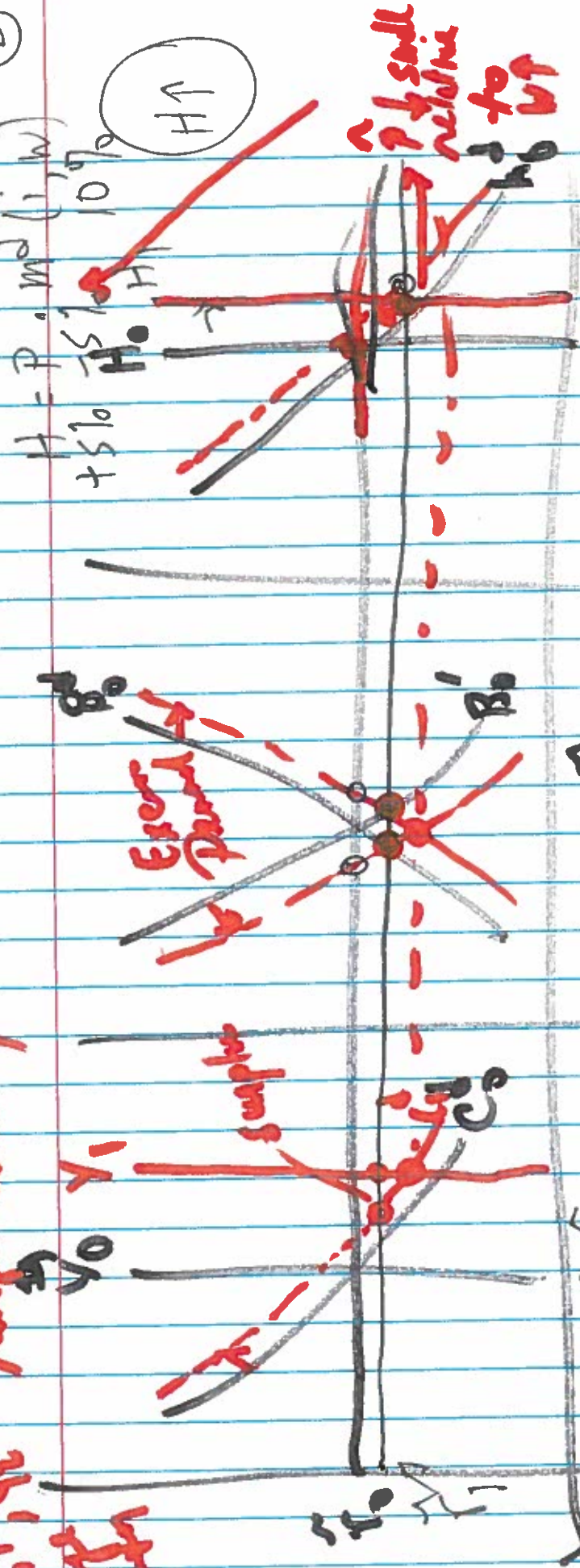
Diagrams:

Intertemporal Model

②

large country

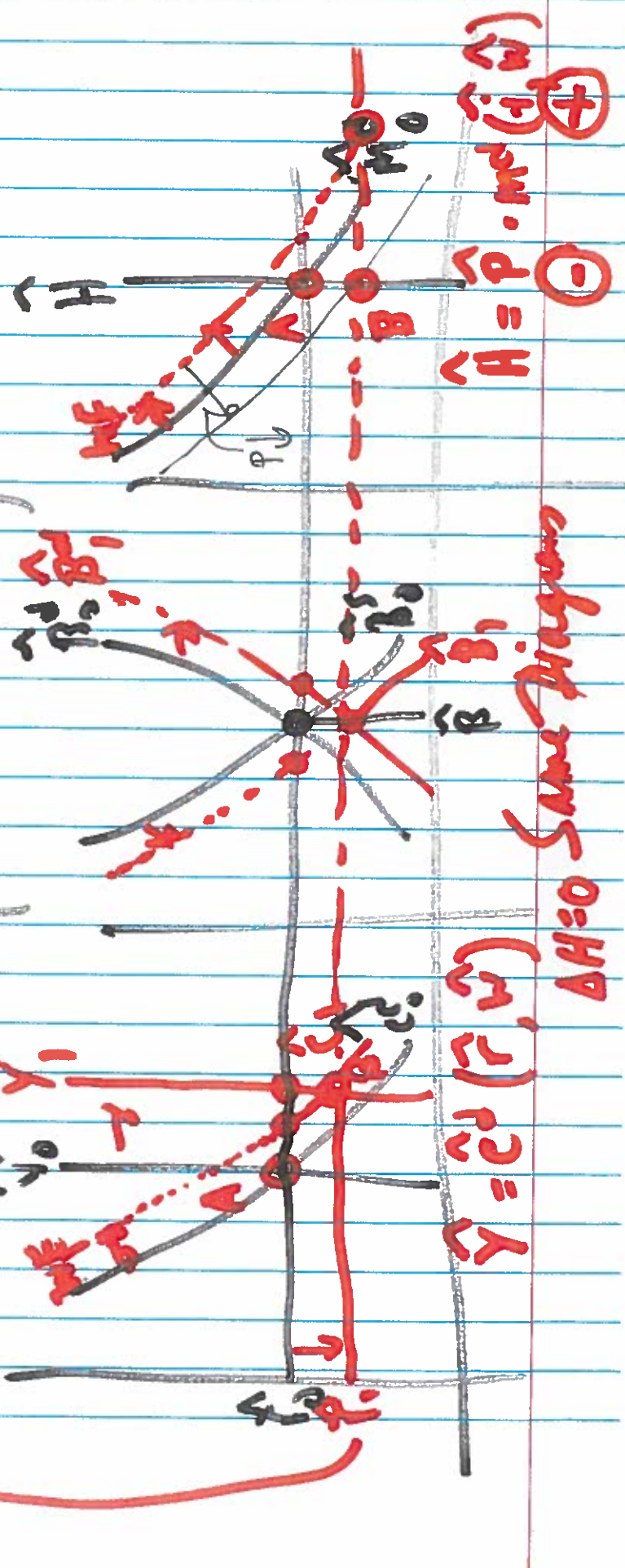
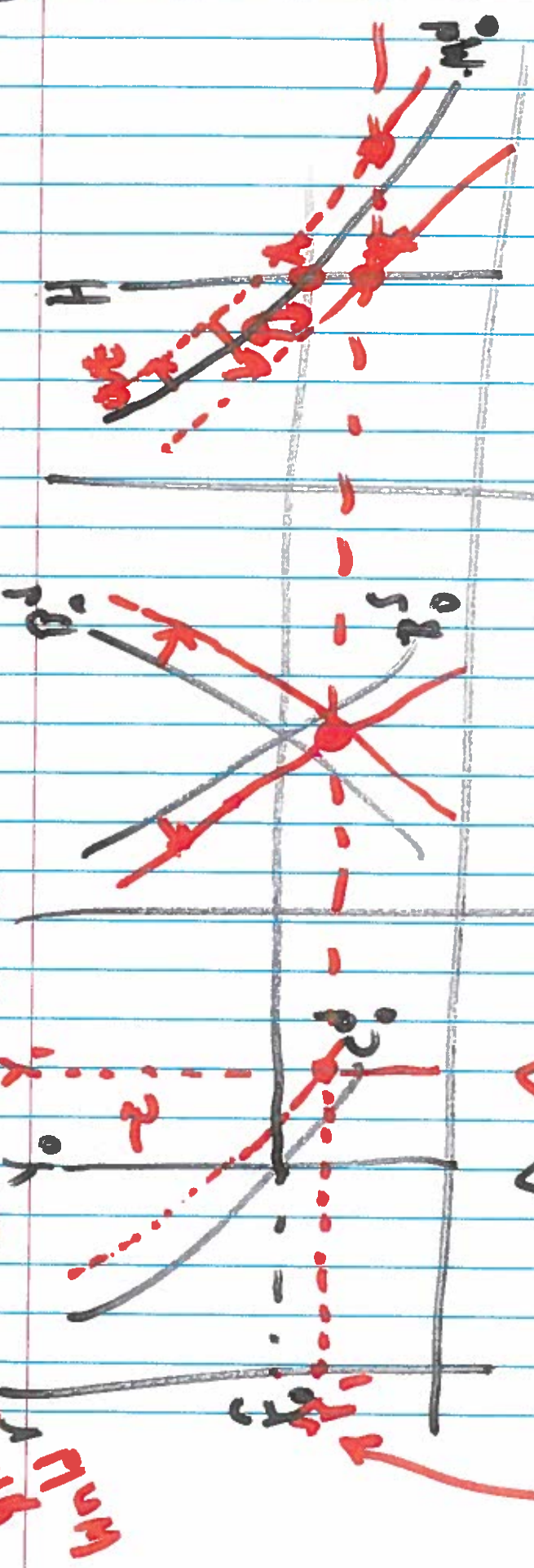
y_1, y_2
both



$H = P \cdot Md(i, W) + 5\%$
 \ominus
 \oplus
 5%

3

with y_1, y_2
 $y_1 \uparrow$ $y_2 \downarrow$ $GLOBN$



$$\hat{H} = P \cdot \text{med}(\hat{y}_1, \hat{y}_2)$$

$\Delta H = 0$ Same Diagonals

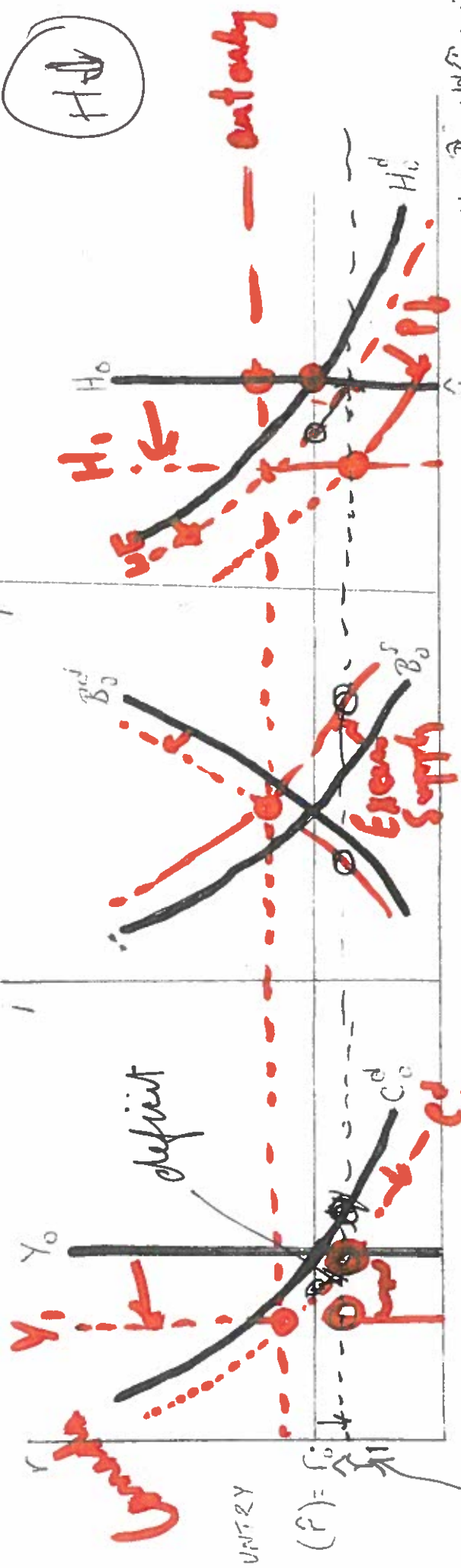
$$Y = C^d(\bar{r}, W)$$

\oplus

Canada $y_1, \downarrow \bar{y}_0, \text{AND } \text{US } y_2, \uparrow \bar{y}_2$

(3)

$H \downarrow$



$H = \bar{P} \cdot H^d(i, w)$

$\uparrow \uparrow$

-5%

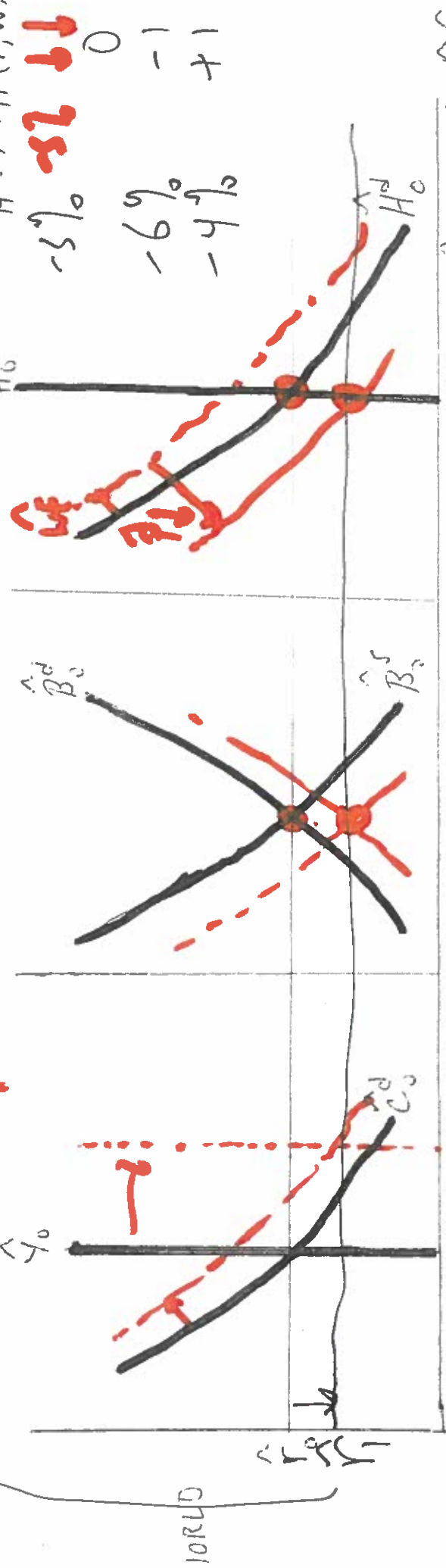
-6%

-4%

0

-1

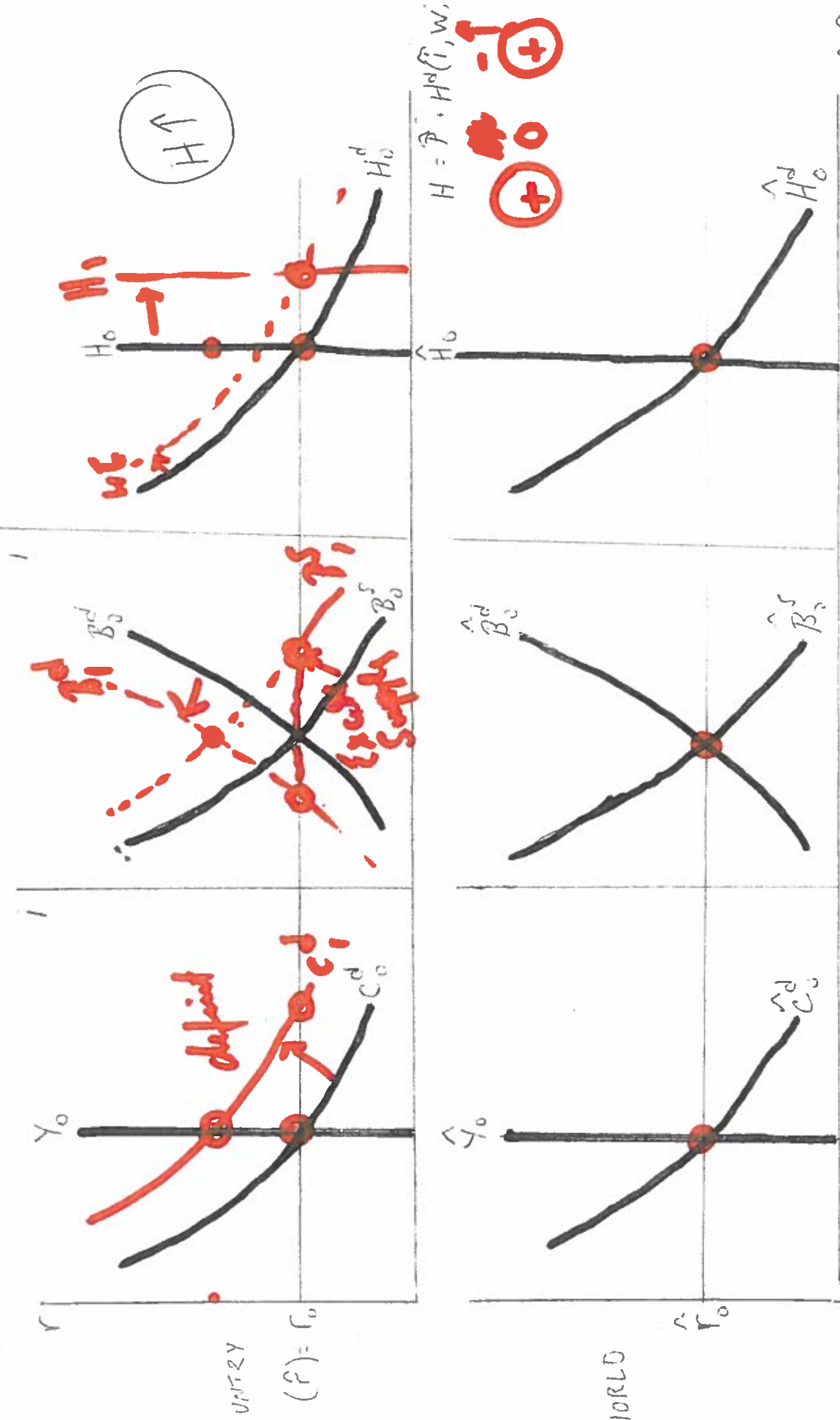
$+1$



75-75-

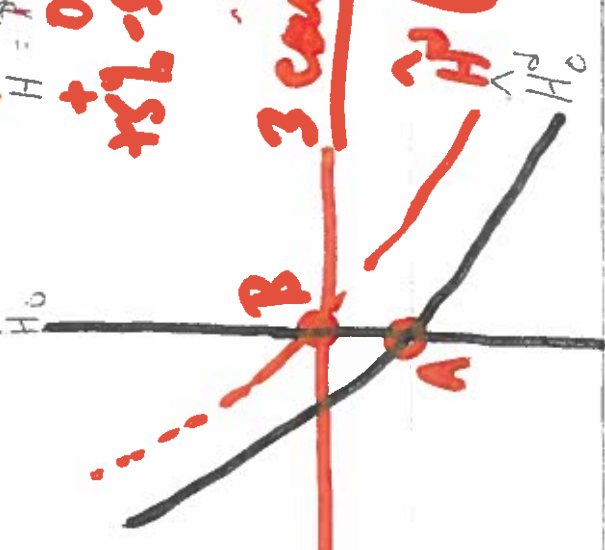
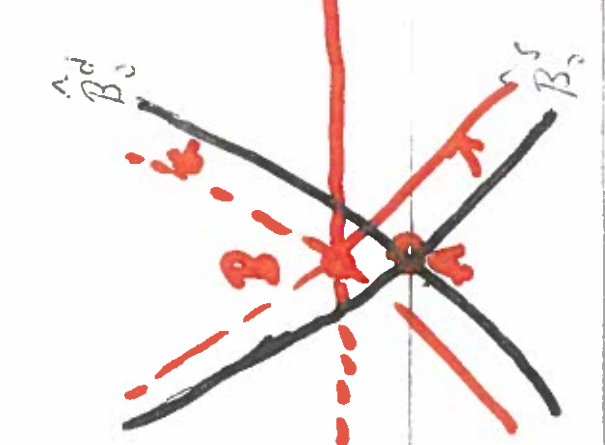
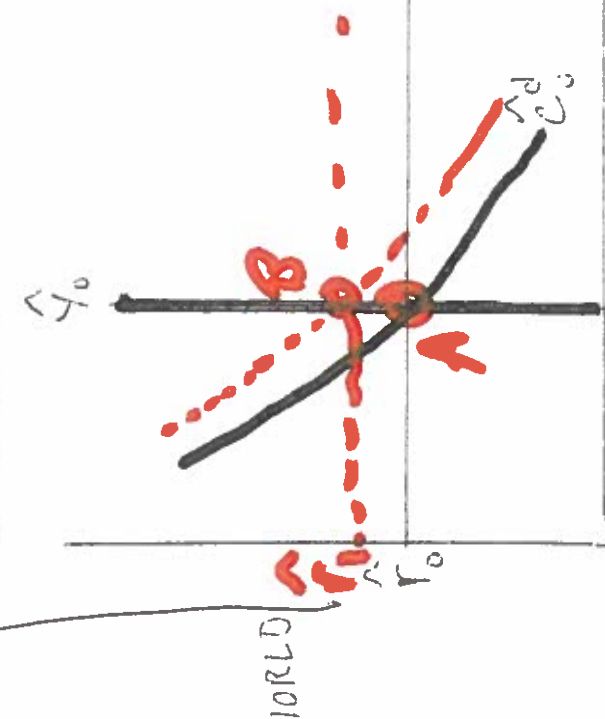
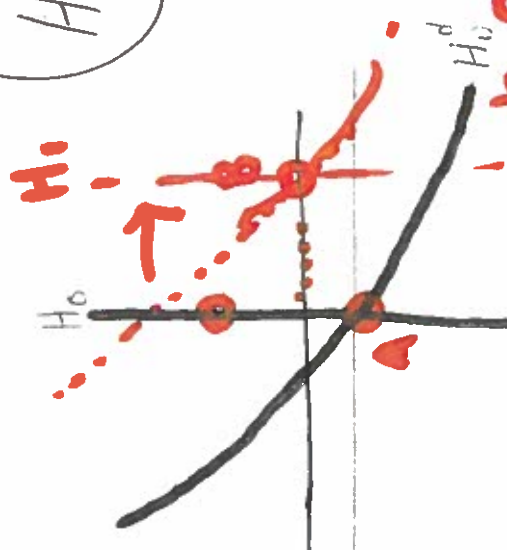
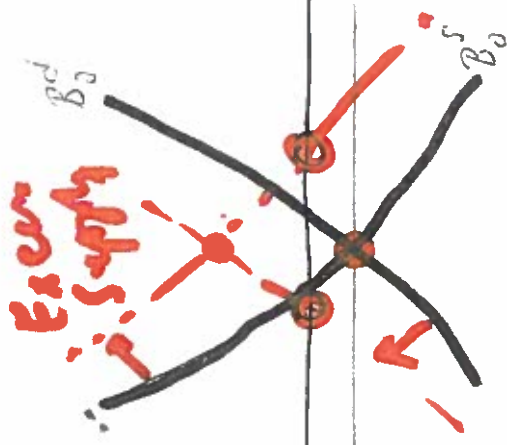
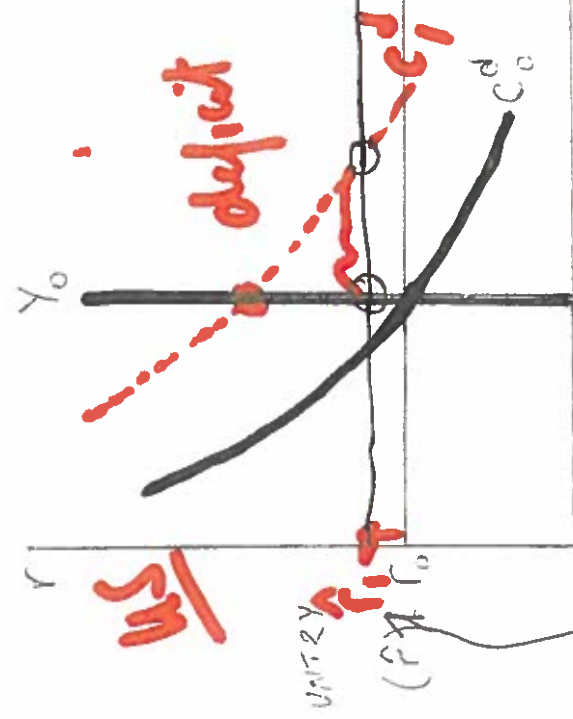
$\bar{Y}_1, Y_2 \uparrow$ small country

(6)



large country $Y_2 \uparrow Y_1$

$H \uparrow$



$$H = \hat{P} \cdot H^d(\hat{P}, w) + 0 + 101$$

$\rightarrow 9.5 - 5.2$

$$\hat{H}_c = \hat{P} \cdot \hat{A}^d(\hat{P}, w)$$

$\rightarrow 0$

$$\Delta \hat{H}^d \rightarrow 5.2$$

$$\Delta \hat{P} \rightarrow -5.2$$

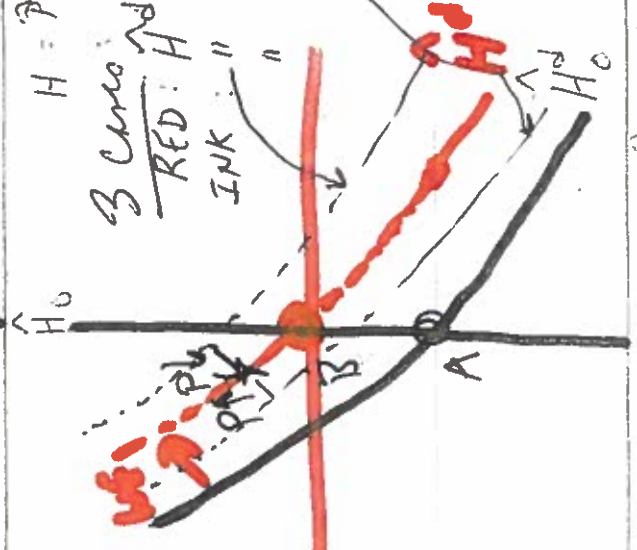
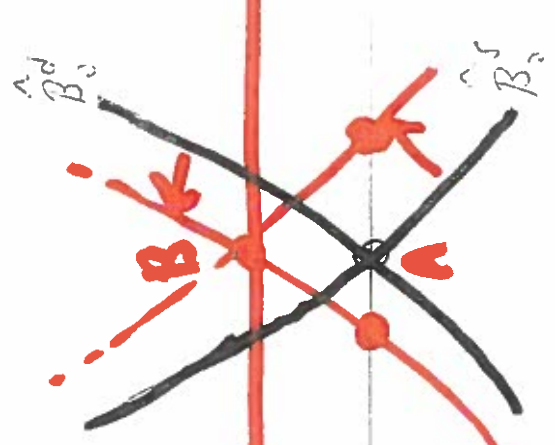
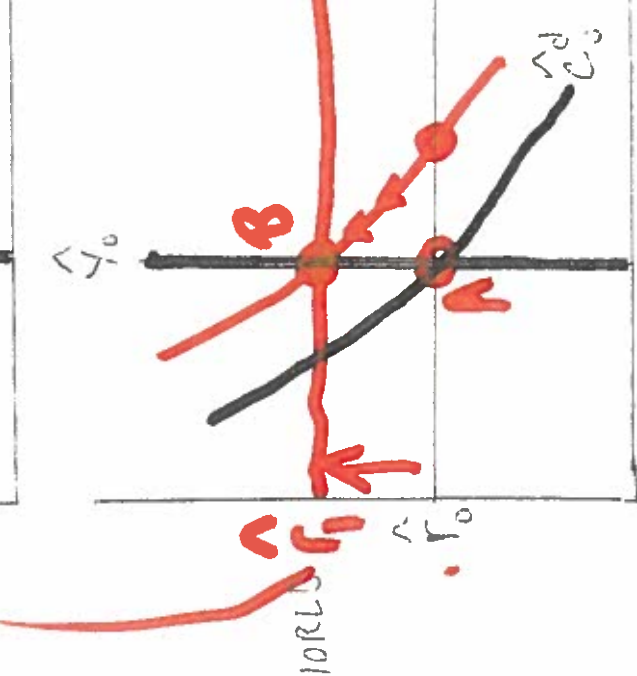
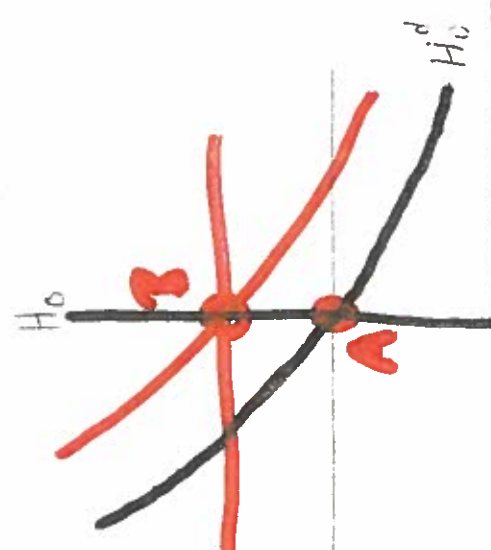
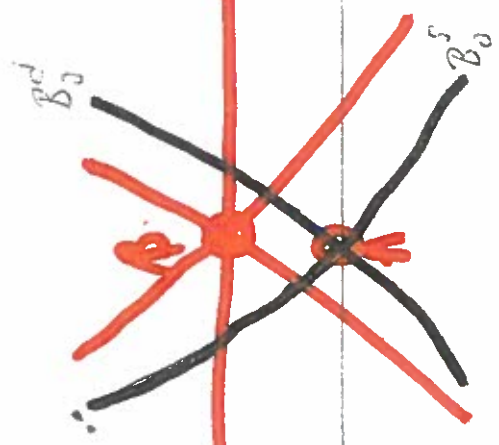
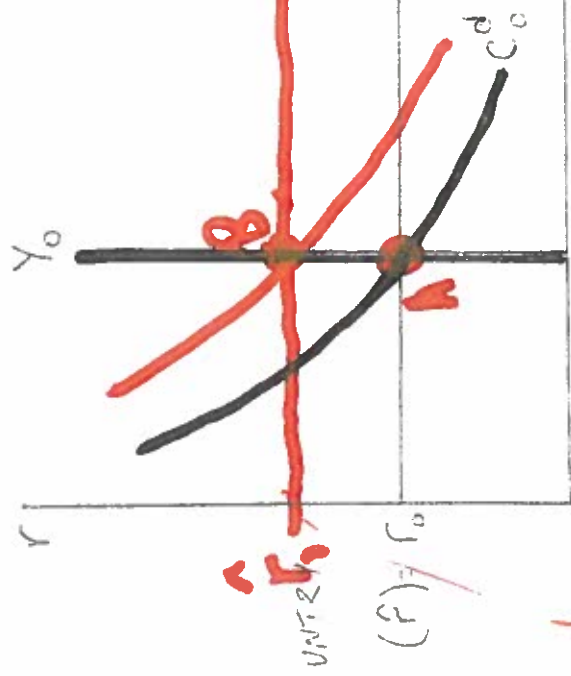
3 cases!

$\hat{H}(\hat{P}=0)$

$\rightarrow 0$

Colored \bar{Y}_1 omitted; $Y_2 \uparrow$

(8)



$H = \bar{P} \cdot H^d(\bar{r}, w)$

3 curves $\hat{H}^d = 0$
 RED: $H = 0$
 INK: $H < 0$

$\hat{H}_e = \bar{P} \cdot \hat{H}^d(\bar{r}, w)$

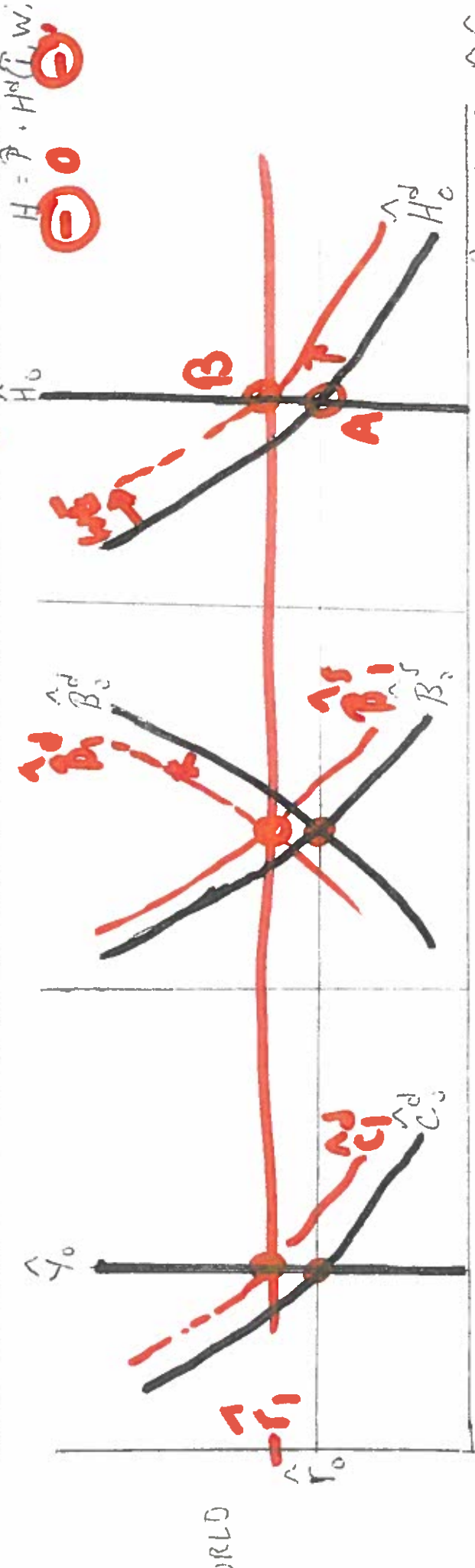
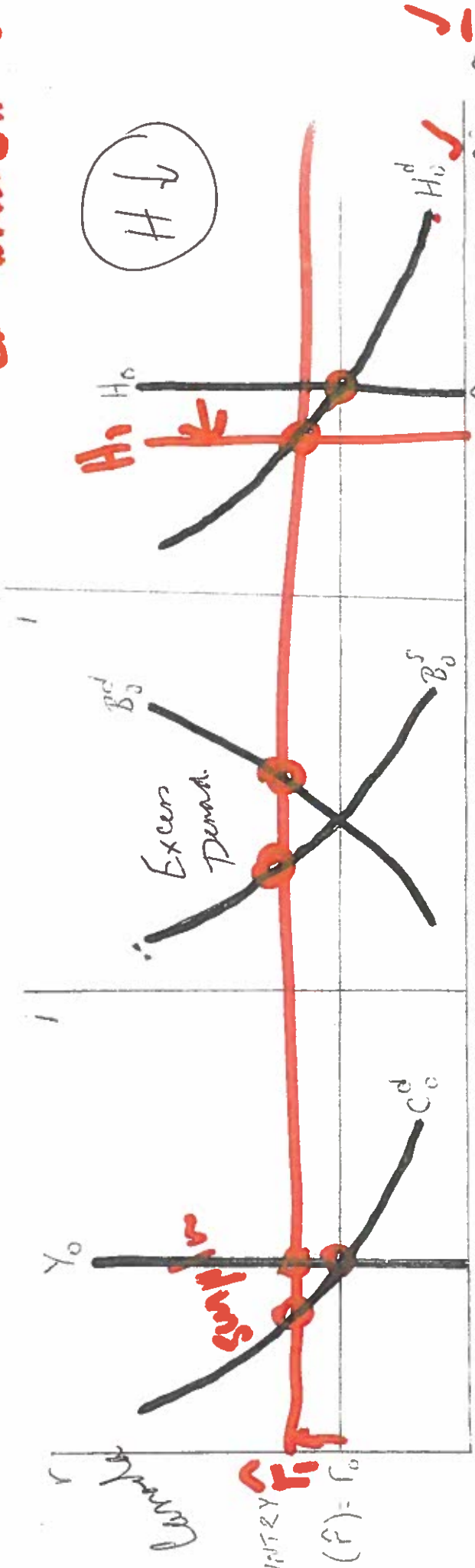
3 curves for \hat{H}

0

+1

+1

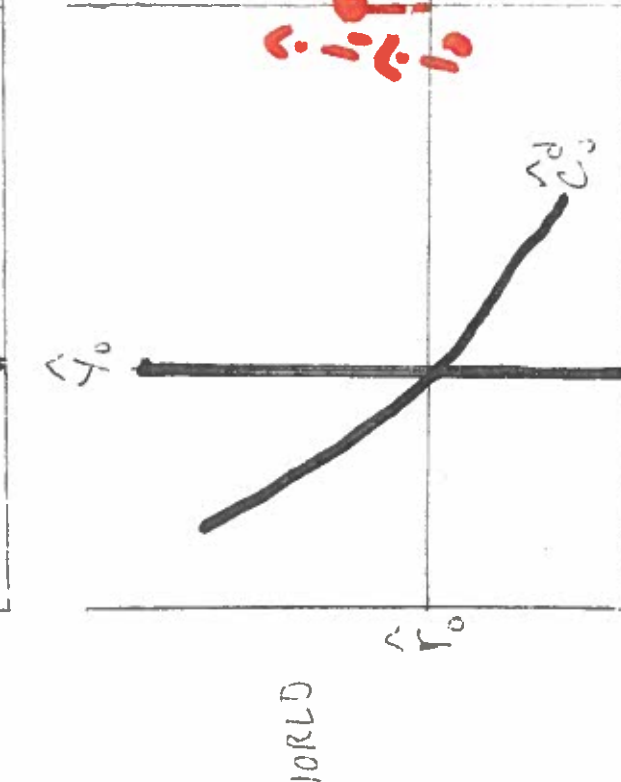
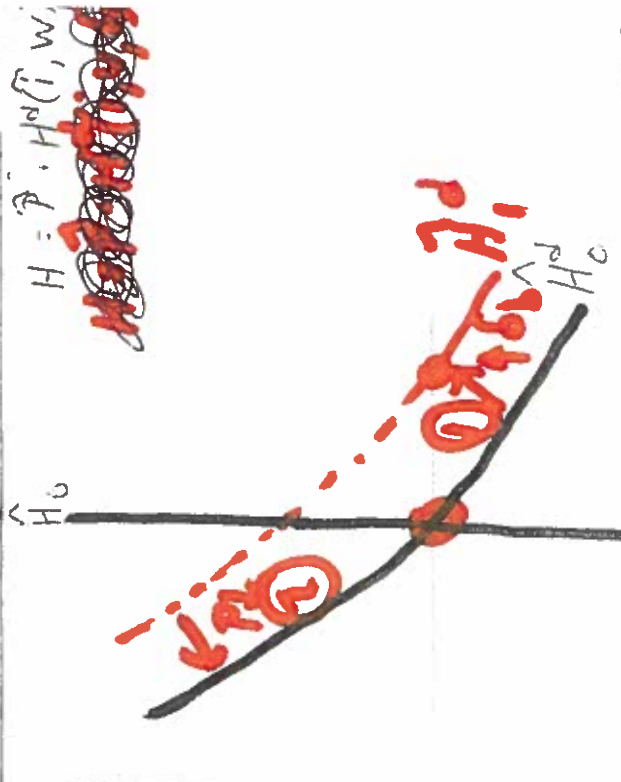
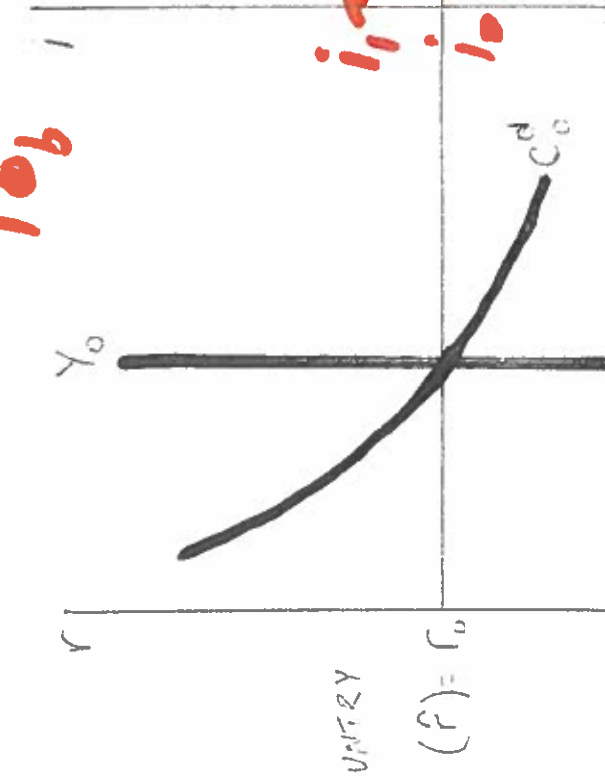
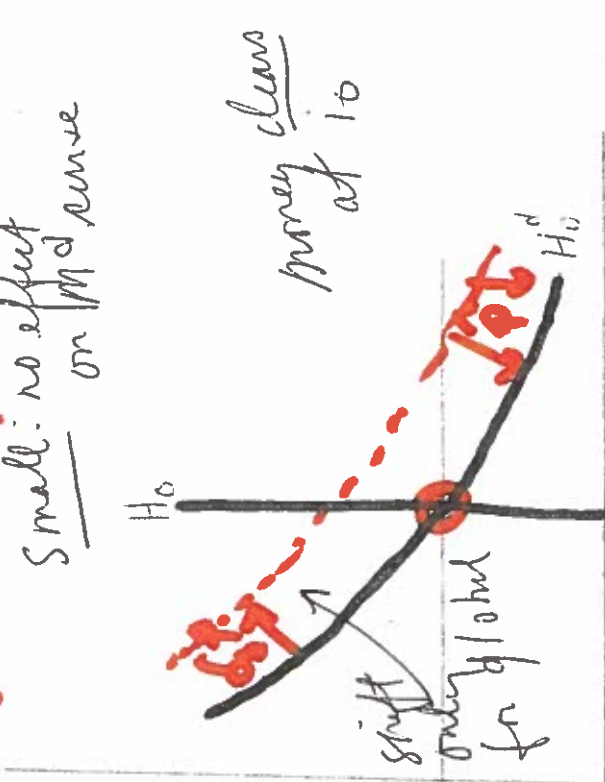
Y↑ US (long); not by happen in Canada: Effects on Canada (4)
 Case when $\Delta H^d = 0$



One of 3
 O O O
 O M ↑

↑ Risk Small Country / ~~Global~~ Global (10)

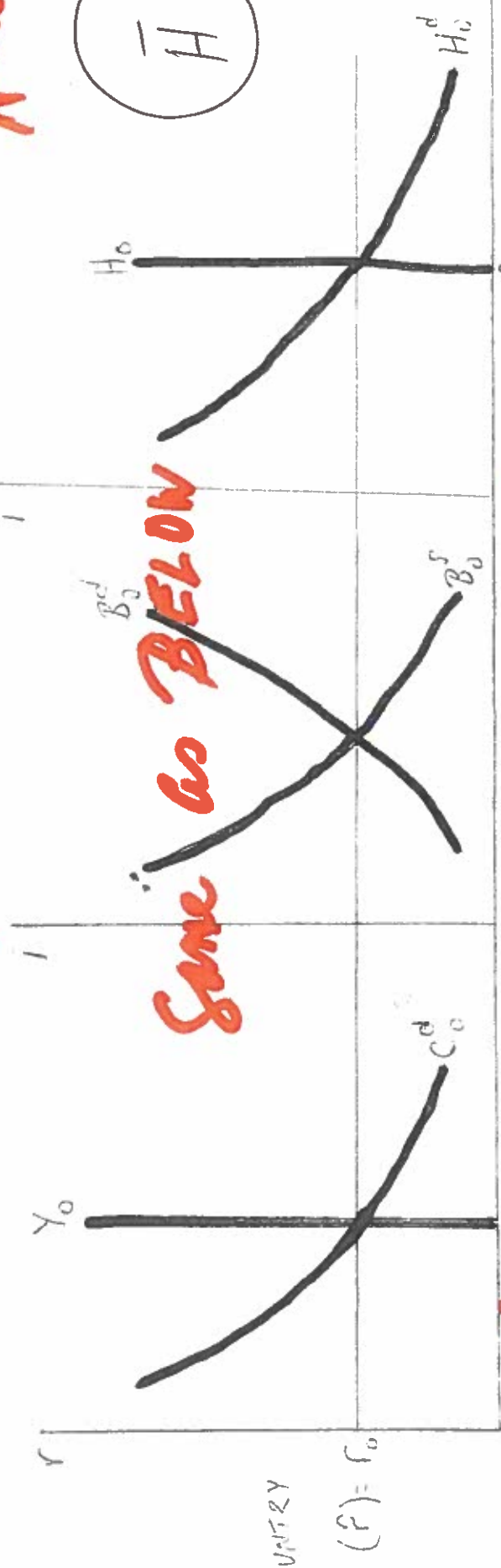
Small country: only this change!



$H = P \cdot H^d(I, W)$
 $H = P \cdot H^d(I, W)$
 $0 - 10\% \rightarrow 10\%$

Risk + (Y1 ↓ Y2) Global Recession = Financial Crisis Effects

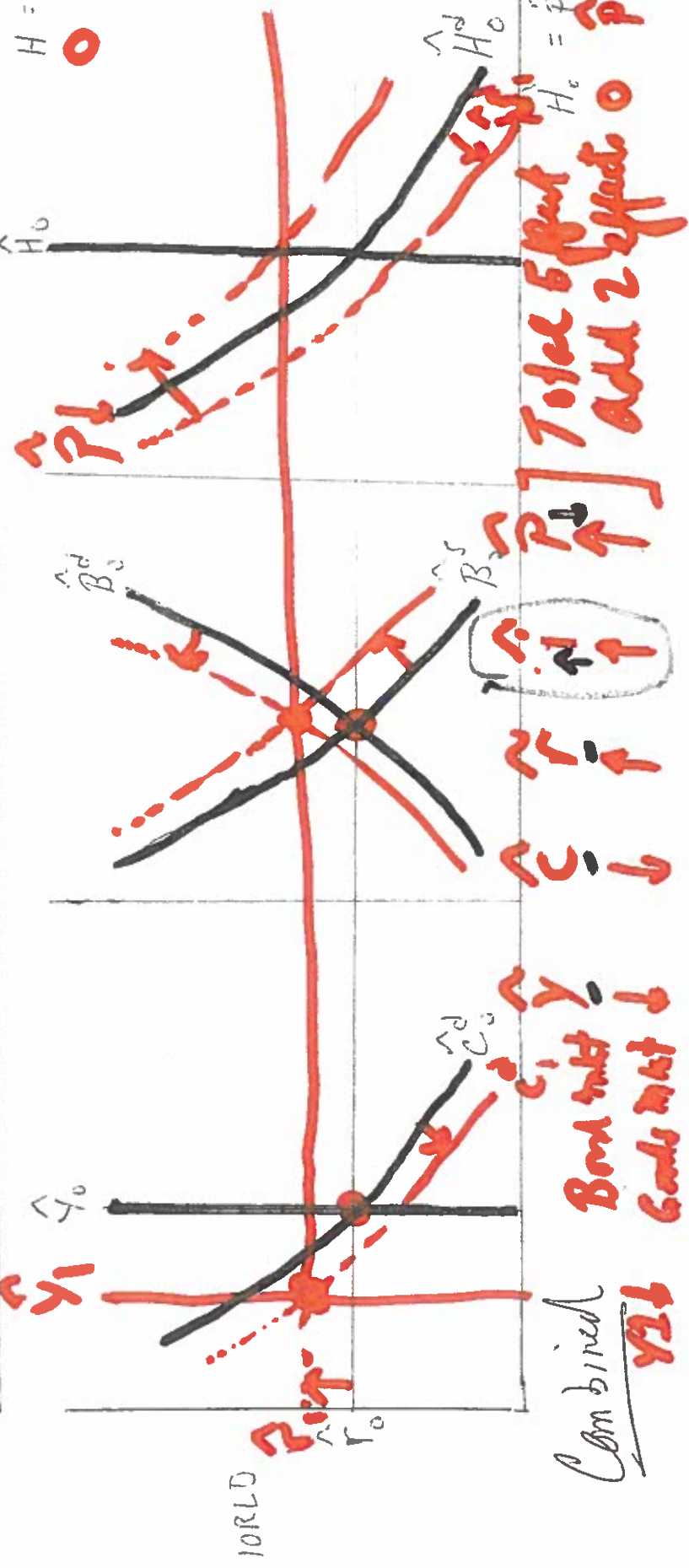
(H)



Same as BELOW

$$H = \bar{P} \cdot H^d(\bar{r}, W)$$

0 + -



Total Effect
Add 2 effects 0 P ↑ ⊖

(H)

C ↓
Y ↓
B ↑
r ↑

Combined
Y2 ↓
Bond mkt ↓
Goods mkt ↓