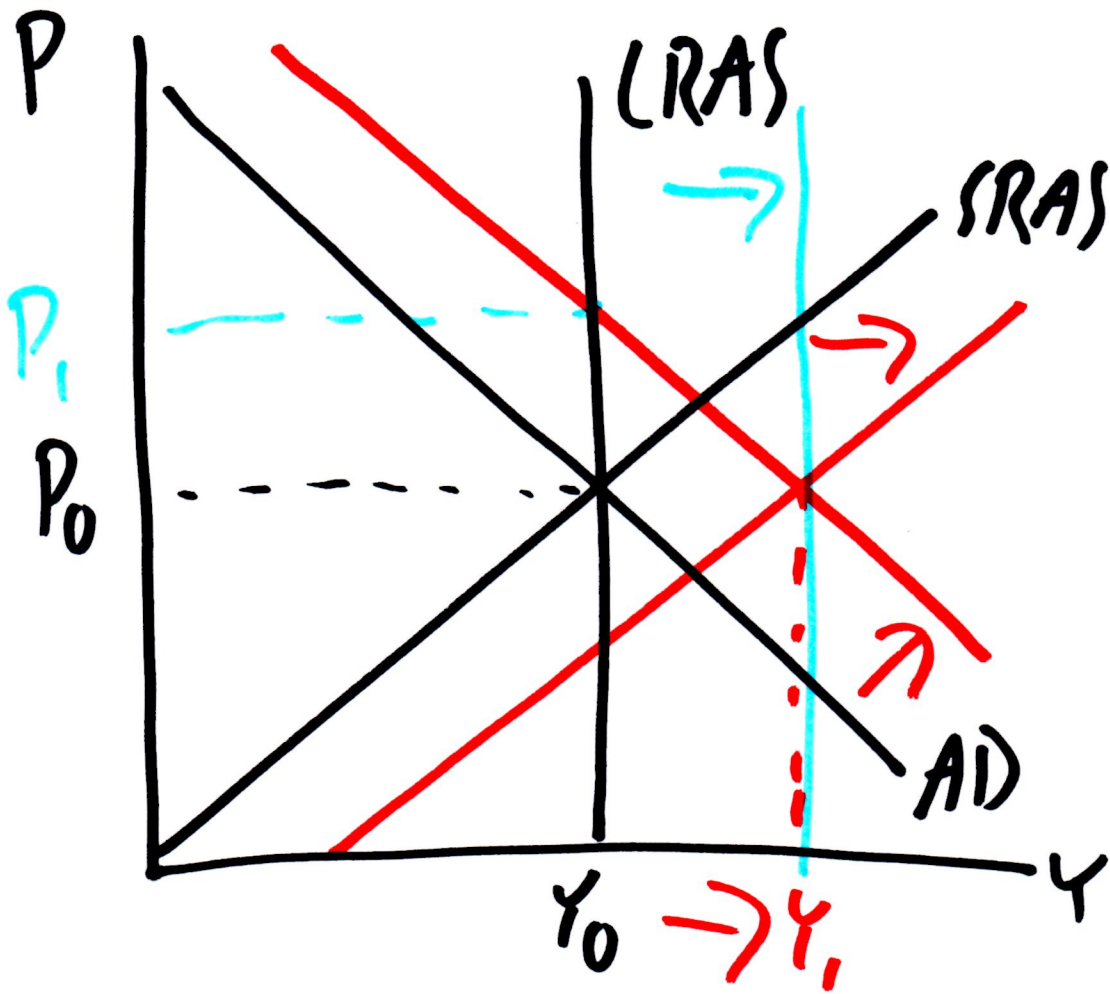


①  $M \uparrow \rightarrow$  HIRE WORKERS  $\rightarrow C \uparrow \rightarrow AD \uparrow$   
TO DIG DITCHES

② SR  $\rightarrow Y \uparrow \rightarrow$  UNEMPLOYMENT  $\downarrow$   
 $P \uparrow$

③ LR  $\rightarrow Y$  UNCHANGED  $\rightarrow$  UNEMPLOYMENT UNCHANGED  
 $P \uparrow$



UNIVERSAL PRE-SCHOOL

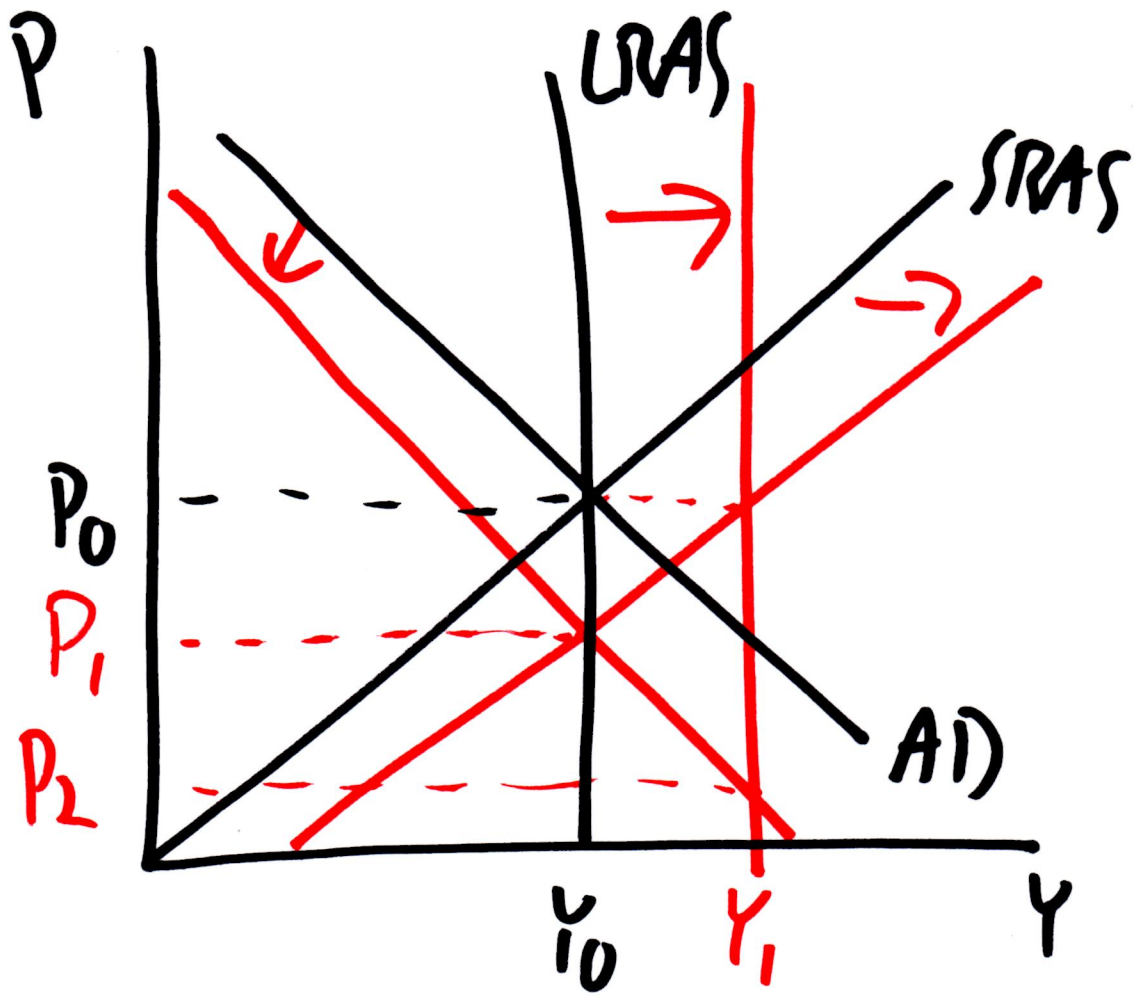
↳  $G \uparrow \rightarrow AD \uparrow$  (SR)  $Y_1, P_0$

↳  $HCT \uparrow \rightarrow SRAS \uparrow$

EXPECTATION

LR (NO HCT) = SCENARIO A:  $P_1, Y_0$

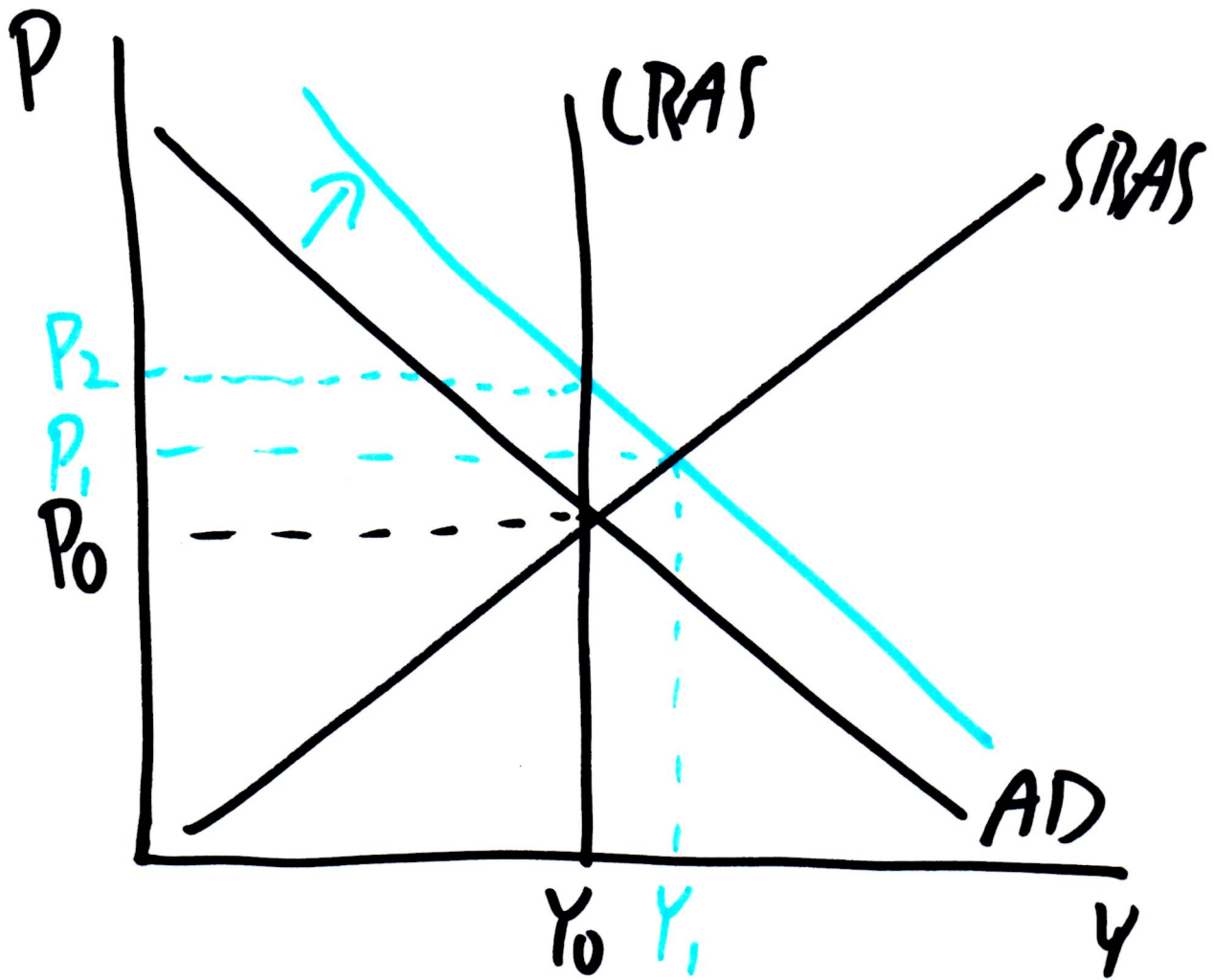
LR (HCT) = SCENARIO B:  $Y_1, P_0$



## PARADOX OF THRIFT

↳  $S \uparrow \Rightarrow C \downarrow \Rightarrow AD \downarrow$

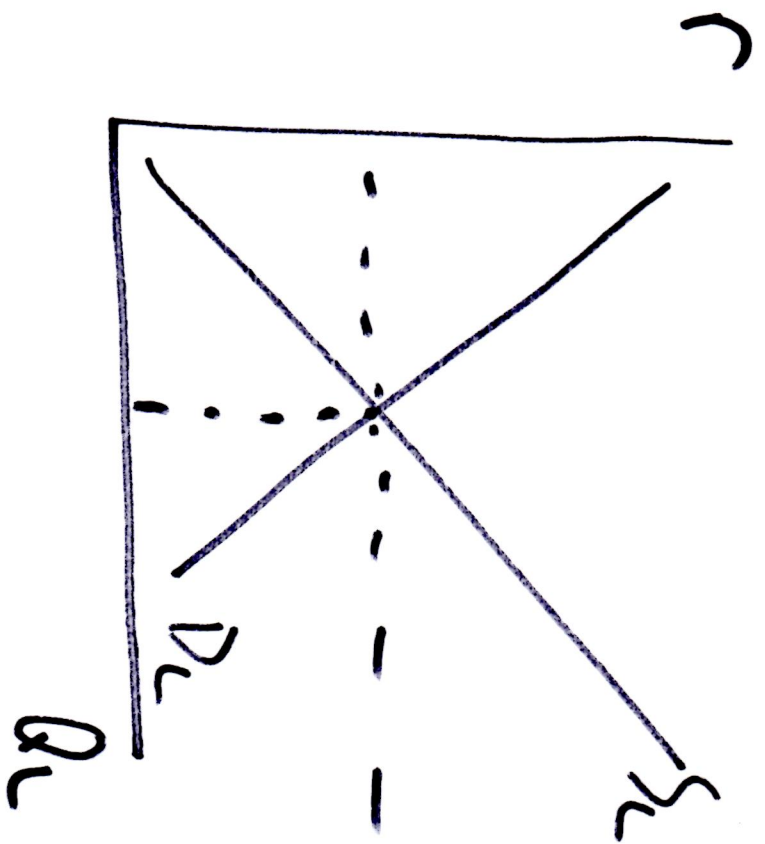
↳  $I \uparrow \Rightarrow K \uparrow \Rightarrow SRAS \uparrow, LRAS \uparrow$   
 (SR)  $P_1, Y_0$       (LR)  $P_2, Y_1$



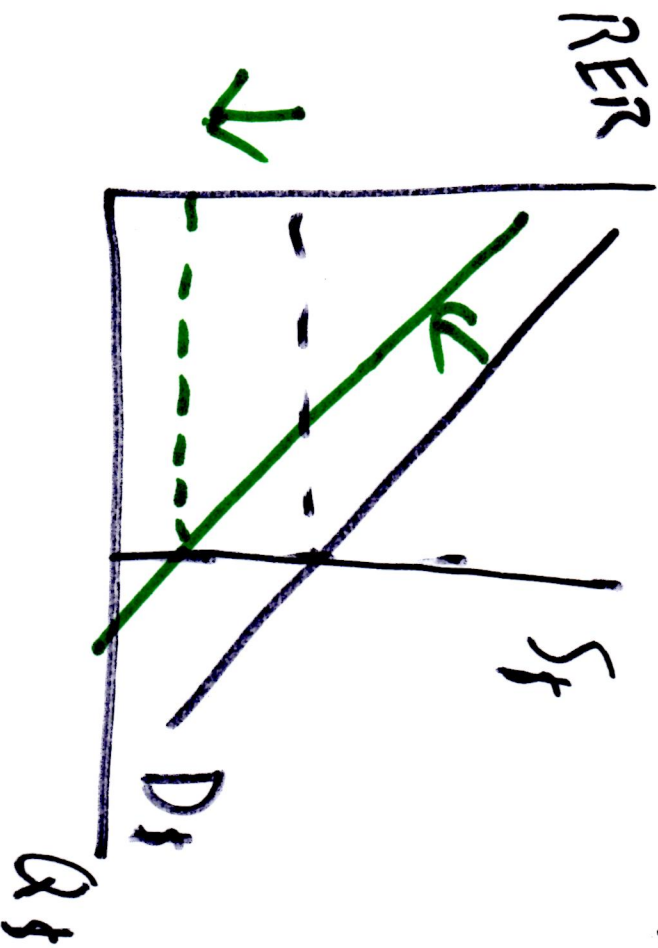
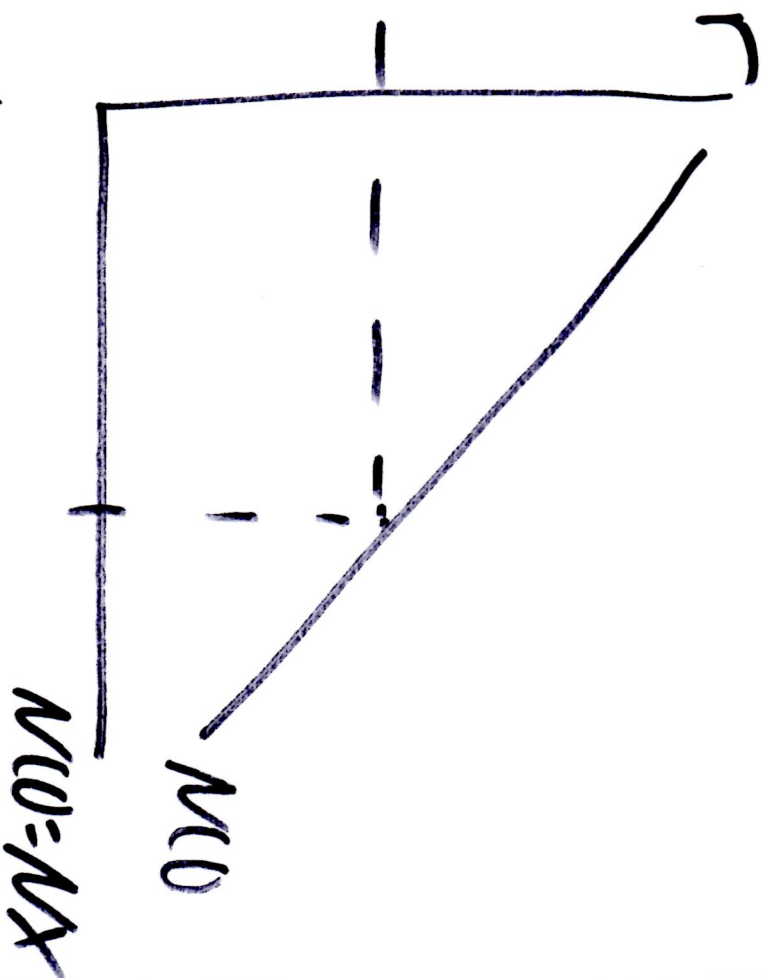
NEW, AMAZING IPHONE

↳ (↑ → AD ↑ (SR)  $Y_1, P_1$

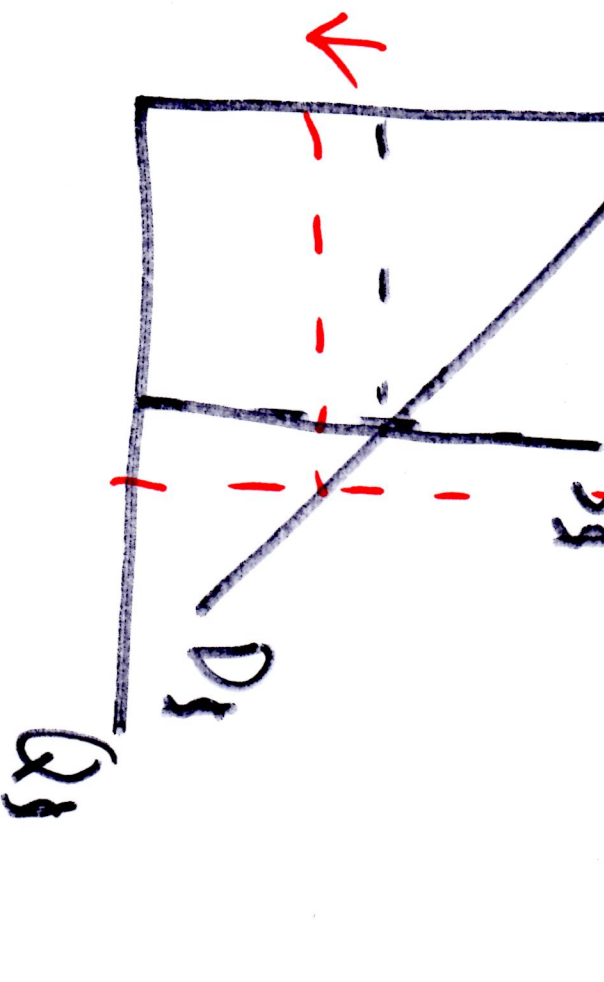
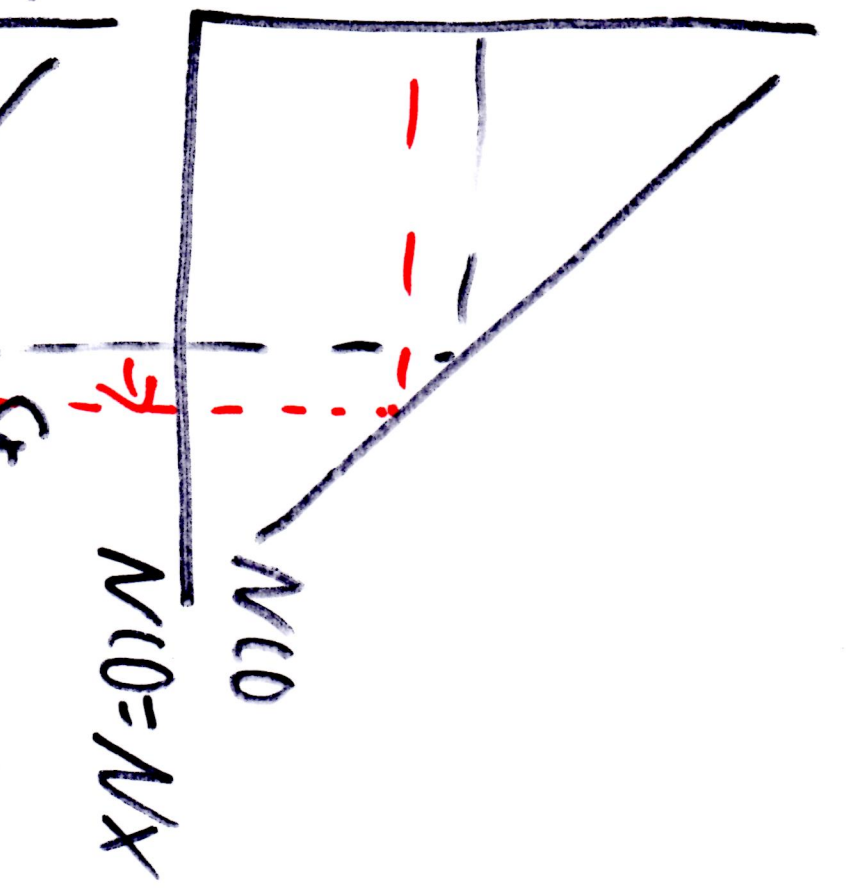
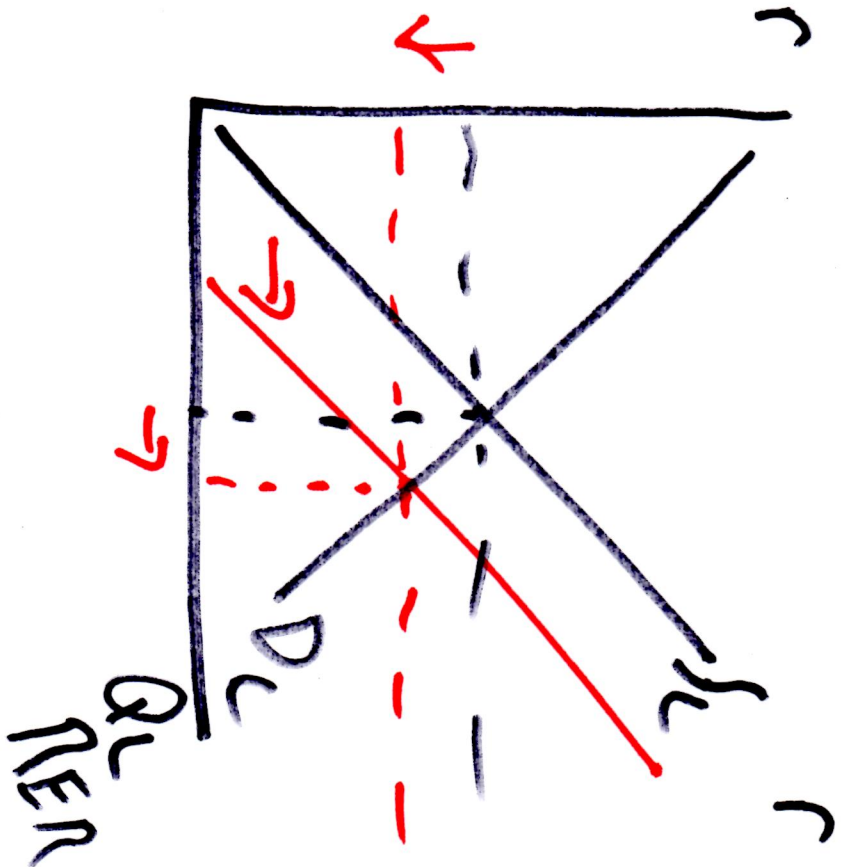
(LR)  $Y_0, P_2$



LESS DEMAND FOR  
US EXPORTS  
↳  $NX \downarrow$

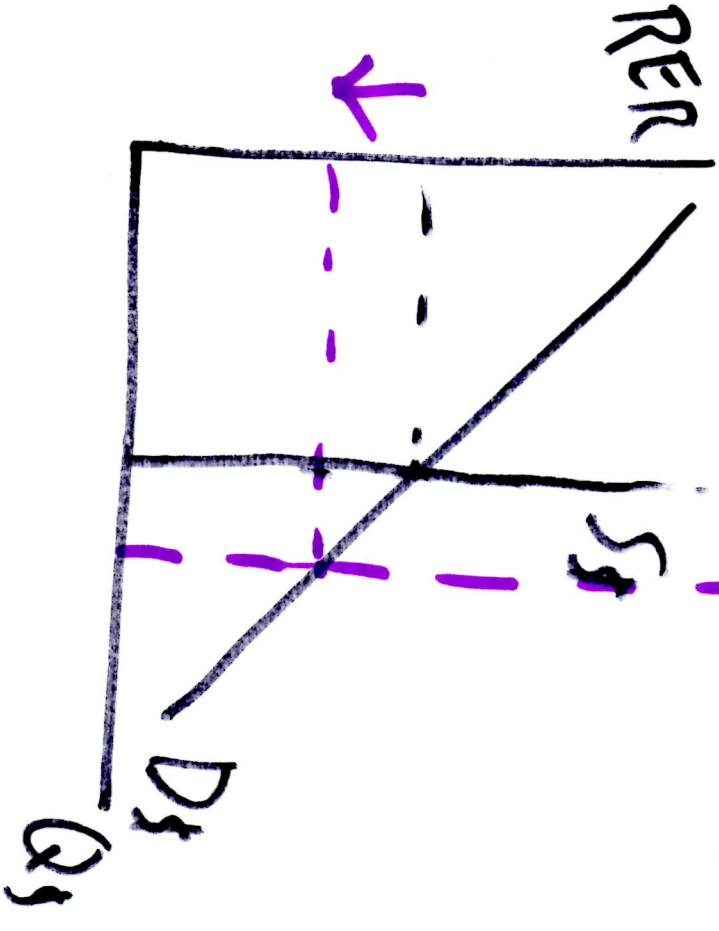
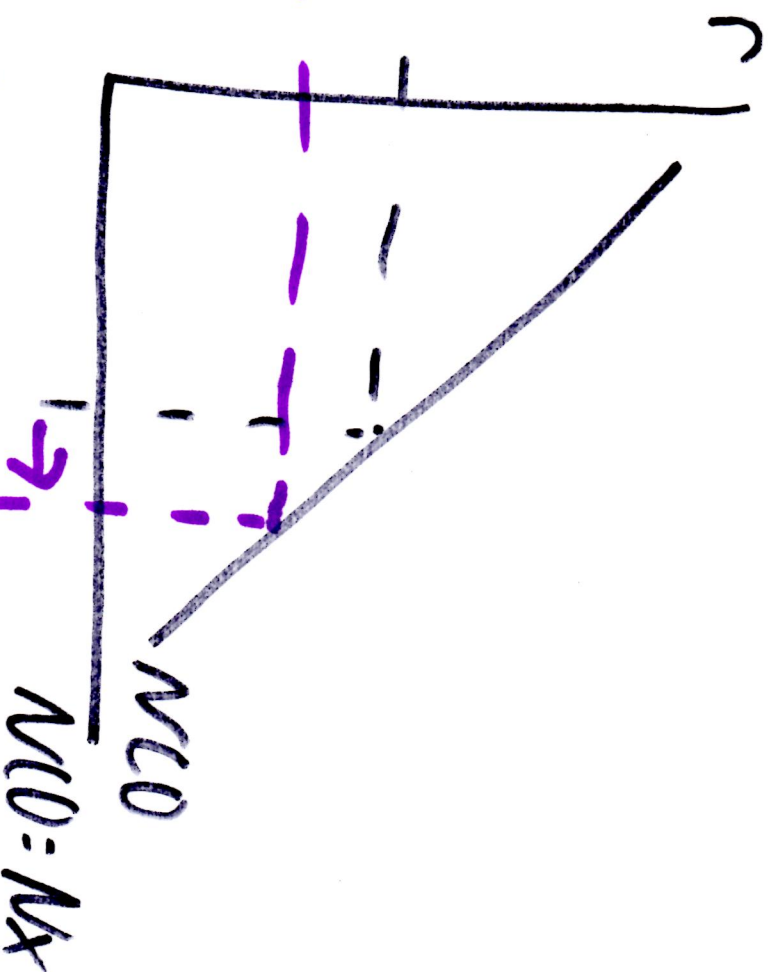
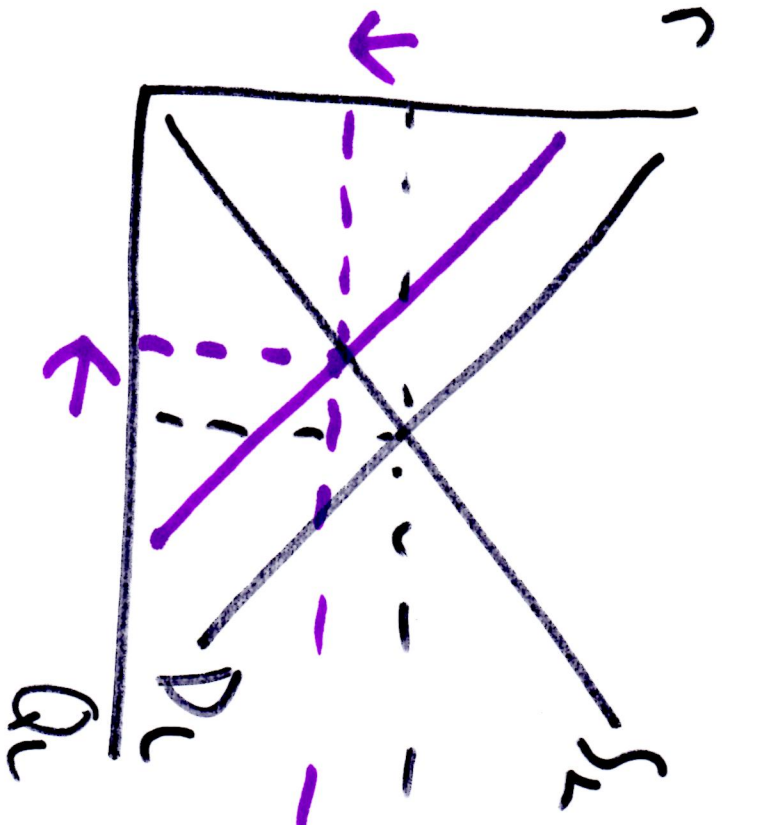


INCREASE IN  
SAVINGS RATE  
↳ ~~SP~~ SP ↑



$NCO = NX$

HIGHER CORPORATE  
WAGE TAXES  $\rightarrow$   $I \downarrow$



INCREASED RETURNS  
IN FOREIGN COUNTRIES  
↳  $NCO \uparrow$

