

Crowding Out

$\tau \downarrow \Rightarrow ?$

FP: $C \uparrow \rightarrow Y \uparrow \rightarrow$ multiplier also AS & AD

but Fed! \rightarrow what will they do?

and can equilibrium really be above LRAS? \longleftrightarrow physical resources

so impact

what gives? \rightarrow I falls. at cost LR growth as K grows more slowly

trade falls \rightarrow hurts tradable goods sector. political economy: how will Trump react?

$$(S-I) + (T-G) \equiv (X-M)$$

using “open economy” savings-investment balance to check “crowding out” stories

if “i” \uparrow what changes? if there’s some other exogenous change, what might shift to maintain balance?

state & local government net savings

federal net savings

\rightarrow government net savings

what happens when drops

\longleftrightarrow greater borrowing

segue into debt and deficit discussion

MORE MATERIAL IN FRIDAY FINAL CLASS NOTES