

Figure 14.18. Models to study the aggregate economy.

UNIT	RUN	WHAT IS EXOGENOUS?	WHAT IS ENDOGENOUS?	PROBLEM TO BE ADDRESSED	APPROPRIATE POLICIES	MODEL TO USE
12, 13	Short	Prices, wages, capital stock, technology, institutions	Employment, demand, output	Demand shifts affect unemployment	Demand-side	Multiplier
13, 14	Medium	Capital stock, technology, institutions	Employment, demand, output, prices, wages	Demand and supply shifts affect unemployment, inflation and equilibrium unemployment	Demand-side, supply-side	Labour market; Phillips curve
15	Long	Technology, institutions	Employment, demand, output, prices, wages and capital stock	Shifts in profit conditions and changes in institutions affect equilibrium unemployment and real wages	Supply-side	Labour market model with firms neither entering nor leaving