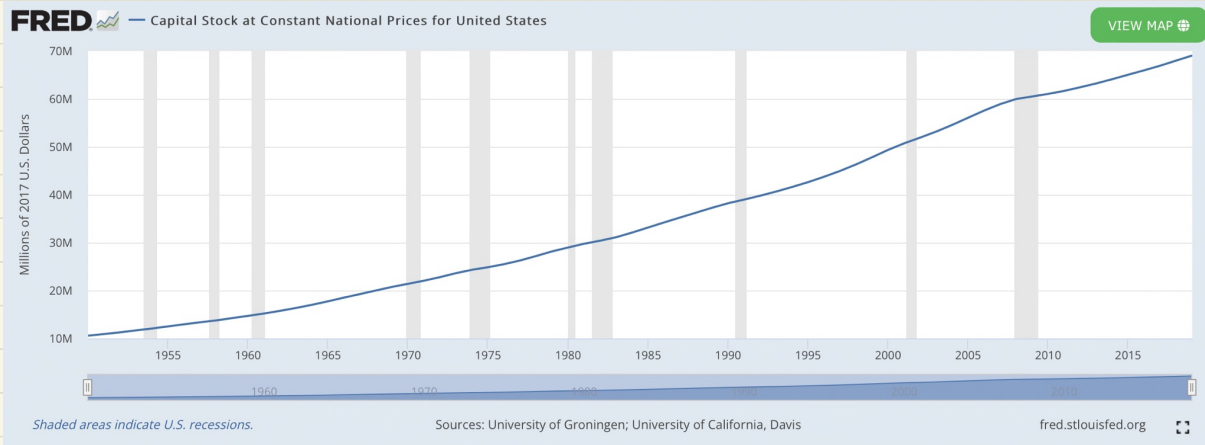


# **Household's Production Function**

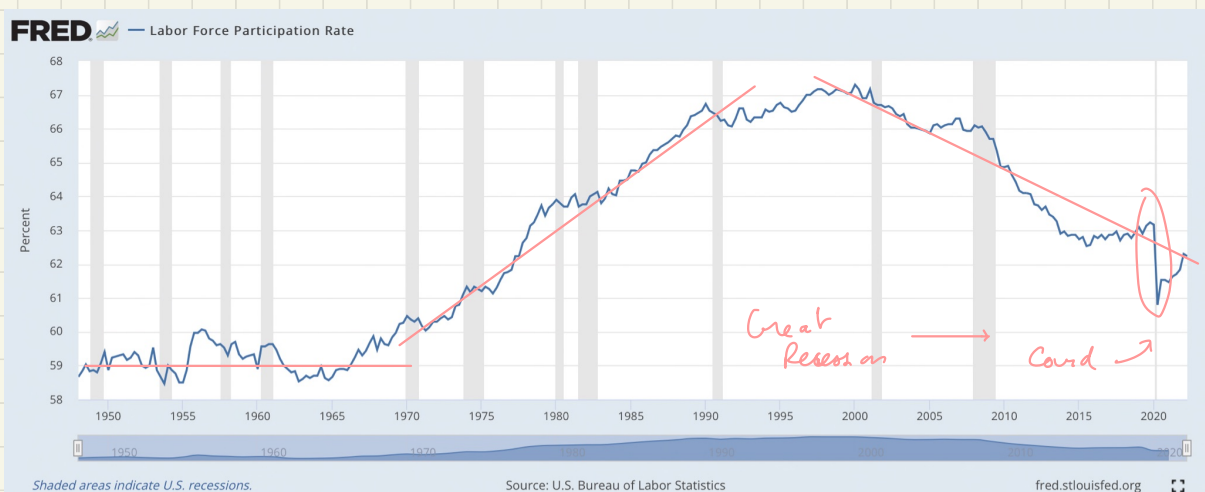
Pascal Michailat  
<https://pascalmichailat.org/c2/>

How much does capital stock vary over the business cycle?

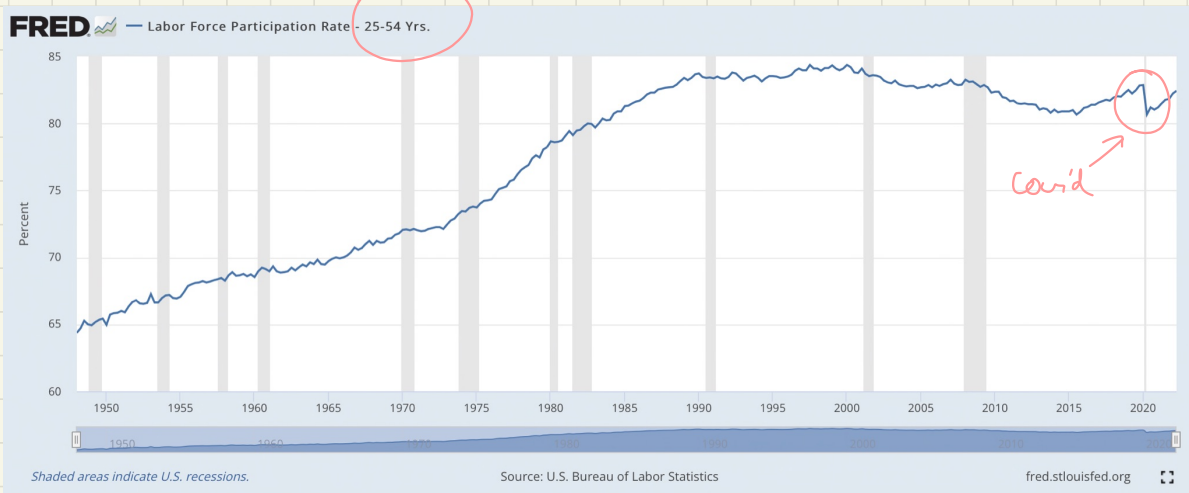


→ capital stock is unaffected by recessions  
and business cycle  
→ assume constant capital stock  
( & constant technology)

How much does labor supply vary over the business cycle?



→ labor supply is fairly acyclical  
*clean out demographic forces*



→ Labor supply is acyclical

→ Assume that labor supply is fixed.

Summary

- Fixed technology
- Fixed capital stock
- Fixed labor supply
- Fixed productive capacity *R*

→ Amount of services that household can produce, and sell to other households