A Keynesian Recession and Expansion, Figure 15.1, Figure 15.2

A fall in animal spirits decreases aggregate demand...

... and, with sticky wages, brings recession

A rise in animal spirits increases aggregate demand...

... and, with flexible wages, brings an expansion and rise in the price level

© 2003 Addison-Wesley
A Monetarist Business Cycle, Figure 15.3

(a) Recession

A slowdown in money growth decreases aggregate demand and brings recession ...

... but a fall in money wages eventually brings an expansion and restores full employment

(b) Expansion

A speedup in money growth increases aggregate demand and brings expansion ...

... but a rise in money wages lowers real GDP and restores full employment
A Rational Expectations Business Cycle, Figure 15.4

(a) Recession

Aggregate demand less than expected brings recession

(b) Expansion

Aggregate demand greater than expected brings expansion
Capital and Labor Markets in a Real Business Cycle, Figure 15.6

(a) Investment, saving, and interest rate

(b) Labor and wage rate

Technology shock decreases investment demand...

... and investment, saving, and real interest rate fall

Technology shock decreases demand for labor...

... and a fall in real interest rate decreases supply of labor...

... and employment and real wage rate fall