Questions for Extended Model

1. All countries in the world simultaneously begin world-wide austerity. The policy is expected to be temporary.
2. The US and the rest of the world (ROW) collaborate on contractionary monetary policy.
3. Home agents become optimistic expecting higher future productivity and the accompanying higher income.
4. China enters a recession.
5. The US raises current government spending, keeping future government spending unchanged (temporary increase) and planning to pay for the increased current spending by raising taxes next period after the election.