**Use short run AD/AS analysis.**

Draw the starting equilibrium. Pay attention to the particular initial equilibrium as it relates to Yf (target Y). Include Yf on your diagram. Then draw the effects of the shock.

1. Mid-1960s U.S.

Starting point: somewhat elevated unemployment, low inflation.

Shock: Great Society programs (social programs, expansionary fiscal) + Vietnam War. Also expansionary monetary policy.

2. 1960s Finland.

Starting point: high unemployment for low-skill workers

Shock: high rates of emigration out of Finland.

3. 1968 Europe.

Starting point: full employment.

Shock: Students strike, workers strike, high wage demands.

4. 1969 U.S.

Starting point: 3.4% unemployment rate.

Shock: Inflation has been rising since 1965. Focus on inflation expectations.

5. 1973 *or* 1978 worldwide for oil-importing nations

Starting point: somewhat elevated unemployment.

Shock: Oil prices rise very high, very fast.

6. Early 1980s U.S. and UK

Starting point: Very high inflation, 6% unemployment

Shock: Very contractionary monetary policy. The Fed chair vows to crush inflation at any cost. (Besides the AD shock, think about inflation expectations.)

7. Mid-1980s US

Starting point: 7% unemployment

Shocks: Oil prices fall dramatically. Labor unions lose power. Strong $ makes imports cheap. Expansionary fiscal policy.

8. 1990s U.S.

Starting point: elevated unemployment

Shocks: Rapid technology change, many investment opportunities, more global competition.

9. 1990s Finland

Starting point: full employment.

Shock: Finland experiences severe downturn in exports (fall of the USSR) and

financial crash (financial assets lose value) and housing market crash (real estate loses value).

10. 2000 Finland. Starting point: high unemployment. Technological innovation: new products and reduced costs.

11. 2020 (Early) Many many nations

Starting point: low unemployment

Shock: Covid. Outcome: 15% unemployment and 0% inflation. Figure out the shift(s).

12. 2021 (Early) U.S. Starting point: 6% unemployment

Shock: The labor force shrinks. Shipping is snarled, Chinese production shuts down. Some workers get unusually big wage increases. Very expansionary monetary and fiscal policy.

13. 2022 Europe. Starting point: low unemployment.

War in Ukraine cuts off energy supplies and food exports to Europe. Central Banks raise interest rates to fight inflation.