

$$\Delta \ln \left( \frac{Q}{L} \right)_{0,T} = c_0 + \gamma \left( \frac{I^G}{Q} \right)_{0,T} + \delta \quad (1)$$

The price and demand elasticities can now be *calculated by*:

$$\varepsilon_{Cj} = \frac{\partial \ln C^*}{\partial \ln j} = \frac{\partial C^*}{\partial j} \frac{j}{C^*} \quad (2)$$