

3. National Income and Equilibrium Determination (Supplement 2)

EE 212

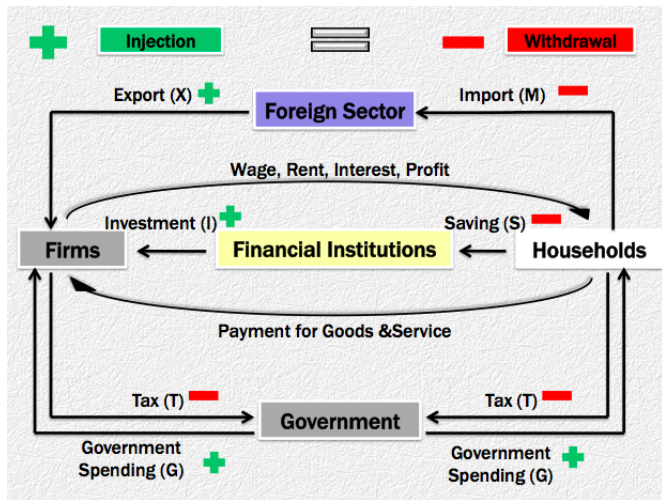
Case & Fair, ch. 8; LCR, ch. 23-24

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- From $Y = DAE$
- Y = Actual Aggregate Expenditure, can be measured by Product, Expenditure or Income Approach
- DAE = Desired Aggregate Expenditure, measured by Expenditure Approach
- Find Y_E^* : Leakage - Injection Approach
- Case 1: Closed Economy without Government

- Case 2 : Closed Economy with Government

- Case 3 : Open Economy



(Examples : Self Study)

- 1 Find Break-even Disposable Income.
- 2 Find the equilibrium national income using
 - 1 $Y = DAE$ Approach
 - 2 Leakage = Injection Approach
- 3 Draw **graph** show equilibrium national income.
- 4 Find term of trade or current account balance at the equilibrium national income.
- 5 Find fiscal budget balance at the equilibrium national income.
- 6 Make sure you can calculate national income equilibrium, graphically illustrate national income equilibrium and explain national equilibrium.

Example 1 :

$$C = 500 + 0.8Y$$

$$I = 1,250$$

Example 2 :

$$C = 500 + 0.8Y^d$$

$$I = 1,250$$

$$G = 850$$

$$T = 100$$

Example 3 :

$$C = 500 + 0.8Y^d$$

$$I = 1,250$$

$$G = 850$$

$$T = 100 + 0.1Y$$

Example 4 :

$$C = 500 + 0.8Y^d$$

$$I = 1,250$$

$$G = 850$$

$$T = 100 - 0.1Y$$

Example 5 :

$$C = 500 + 0.8Y$$

$$I = 1,250$$

$$G = 850$$

$$T = 100$$

$$M = 0.1Y$$

$$X = 1,200$$

Example 6 :

$$C = 85 + 0.75Y^d$$

$$I = 50 + 0.15Y$$

$$G = 150$$

$$T = 100$$

$$X = 36$$

$$M = 10 + 0.24Y$$

Example 7 :

$$C = 80 + 0.4Y^d$$

$$I = 50 + 0.6Y$$

$$G = 30$$

$$T = 10 + 0.1Y$$

$$X = 40$$

$$M = 20 + 0.16Y$$

Example 8:

$$S = 60 + 0.8Y^d$$

$$I = 35$$

$$G = 15$$

$$T = 20 + 0.2Y$$

$$X = 36$$

$$M = 10 + 0.24Y$$

Example 9 : (unit : Million Baht)

Y	C	I	G	T	X	M
100	80	25	10	10	31	30
200	150	30	10	10	31	55
300	220	35	10	10	31	80
400	290	40	10	10	31	105

All expenditure functions are linear in Y.