

EE212 Principles of Macroeconomics, 2/2017 (Sec. 046402-Sicha)

Homework 5 :

Chapter 3. National Income Equilibrium

Please submit at the BE office, 5th floor department of Economics building.

Deadline of submission : February 28, 2018, before 15.00 hrs. Late submission will not be accepted.

1. Consider the economy with

$$C = 210 + 0.8Y_d,$$

$$T = 50,$$

$$R = 30.$$

$$G = 44$$

$$I = 22 + 0.02Y$$

$$X = 155$$

$$M = 15 + 0.07Y$$

(a) Find the break-even level of disposable income.

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(b) Write down the consumption function as a function of Y .

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(c) Write down the DAE function (as a function of Y) and intrepert its meaning.

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(d) Find equilibrium income (Y^*) using Income -Expenditure approach. Graphically illustate equilibrium income.

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(e) Write down the saving function as a function of Y .

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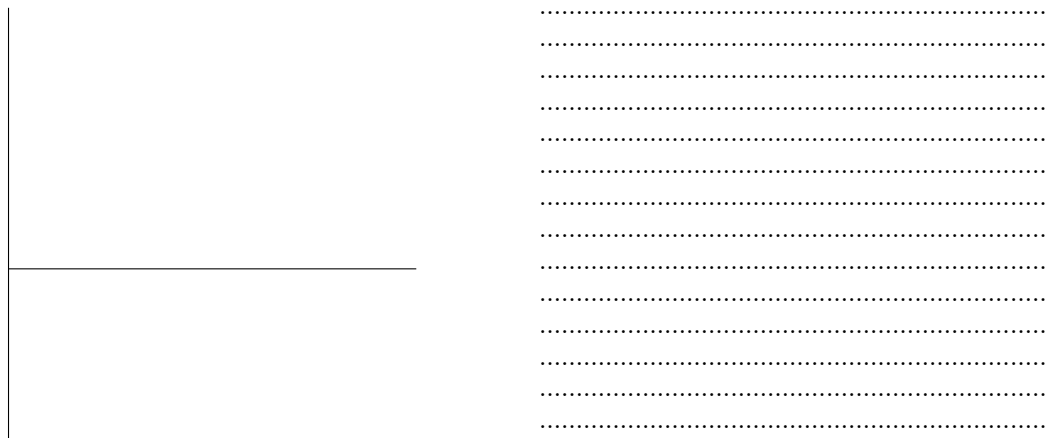
(f) Write down Injection function (as a function of Y) .

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(g) Write down Leakage function (as a function of Y) .

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(h) Find equilibrium income (Y^*) using *Leakage = Injection* approach. Graphically illustrate equilibrium income.



2. Consider the economy with $DAE = 500 + 0.8Y$. Find the equilibrium national income.

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3. Consider the economy with

$$\begin{aligned}
 C &= C_a + bY_d, \\
 T &= T_a + tY, \\
 R &= R_a, \\
 G &= G_a, \\
 I &= I_a + i.Y \\
 X &= X_a \\
 M &= M_a + m.Y
 \end{aligned}$$

(a) Write down the DAE function (as a function of Y).

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(b) Find equilibrium income (Y^*) using $Y = DAE$ approach.

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