EE 212: DAE (supplementary) for section 046041 (A.Sicha)

- Assumptions : (1) Constant Price Level (2) Fixed Resources and Fixed Techonology

$$DAE = C + I + G + (X - M)$$

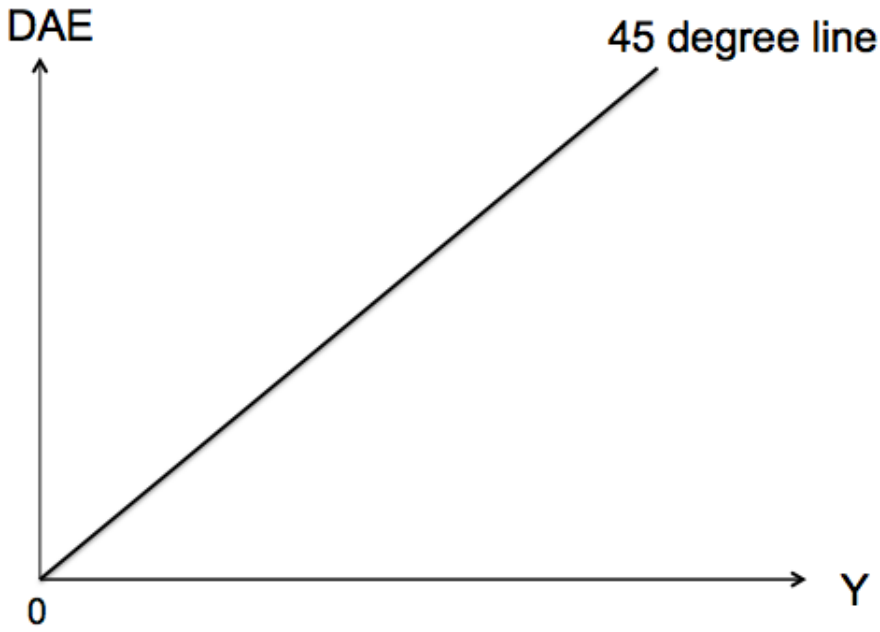
- $$= [C_a - bT_a + I_a + G_a + X_a - M_a] + [b - bt + d - m]Y$$

- At equilibrium $Y = Y^E = DAE$, Leakage = Injection

$$Y^E = \frac{1}{1-(b-bt+d-m)} \times [C_a - bT_a + I_a + G_a + X_a - M_a]$$

$$= \text{multiplier} \times [\text{autonomous expenditure}]$$

- multiplier (k) = $\frac{\Delta Y}{\Delta \text{Autonoumous Expenditure}} = \frac{\Delta Y}{\Delta AE}$
- $\Delta AE = \frac{\Delta Y}{k}$
- $\Delta Y = k \times \Delta AE : k = \frac{1}{1 - \text{Slope of DAE}}$



- DAE shift up : autonomous expenditure ↑ (for example : $\{C_0, G_0, I_0, X_0\}$ ↑or $\{T_0, M_0\}$ ↓), Spending(Expenditure) on domestic goods ↑ for all levels of Y
- DAE shift down : autonomous expenditure ↓ (for example : $\{C_0, G_0, I_0, X_0\}$ ↓or $\{T_0, M_0\}$↑), Spending(Expenditure) on domestic goods ↓ for all levels of Y
- Expansionary Fiscal policy, Contractionary(Tight) Fiscal Policy
- DAE shift up from DAE_0 to DAE_1 : autonomous expenditure ↑ (for example : C_0, G_0, I_0, X_0 ↑or T_0, M_0 ↓), Spending(Expenditure) on domestic goods ↑ for all levels of Y
- DAE shift down drom DAE_1 to DAE_0 : autonomous expenditure ↓ (for example : C_0, G_0, I_0, X_0 ↓or T_0, M_0 ↑), Spending(Expenditure) on domestic goods ↓ for all levels of Y
- Inflationary gap : Y_E^*..... Y_F , to solve the problem ⇒ ..... DAE ⇒ shift DAE down
- Delationary gap : Y_E^*..... Y_F , to solve the problem ⇒ ..... DAE ⇒ shift DAE up