Nuttacha Tantivanich
6204640400

(1) MPC = 0.5
Y ↑ 1
C ↑ 0.5

People will not use all the income
ไม่มีใครใช้เงินที่เราได้มาทั้งหมด

When income increase, people will increase consumption but not as much as the increase in income.

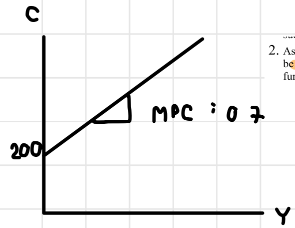
(2) $C = C_0 + C_1 Y$

$C = 200 + 0.7Y$

$Y = C + S$

$S = Y - C = Y - 200 - 0.7Y$

$S = -200 + 0.3Y$



2. Assume a CLOSED economy with NO government. Let the autonomous consumption be 200 and MPS be 0.3. Draw and write equations for both saving and consumption functions.

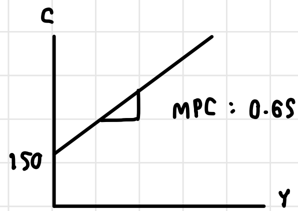
(3) $S = -150 + 0.35 \rightarrow C$

$Y = C + S$

$C = Y - S$

$C = Y + 150 - 0.35Y$

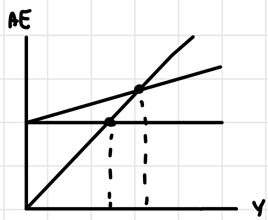
$= 150 + 0.65Y$



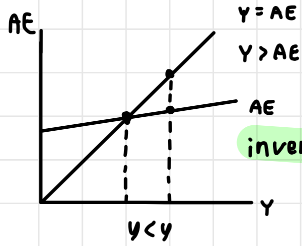
(4) AE = C + I + G + (X - M)

your AE will shift down and equilibrium output fall
(fall)

Your MPS will increase, your MPC fall
- ur graph will not shift down
- ur output will fall



(5) - Graph will shift down
- equilibrium output fall



inventory ↑

- เราผลิตมากกว่าคนซื้อ inventory เลยเหลือ
- we produce more than needed so inventory will be increase and firm will cut back

⑥ $S = I$

mwl T_T

$C = 60 + 0.6Y$

$Y = C + S$

$S = Y - C$

$S = -60 + 0.4Y$

$-60 + 0.4Y = 20$

$\frac{4}{10}Y = 80$

$Y = 200$ *

6. Let C = 60 + 0.6Y and I = 20. Find the equilibrium output with the saving/investment approach.

⑦ $S = -60 + 0.4Y$

$C = Y - S$

$= Y + 60 - 0.4Y$

$C = 60 + 0.6Y$

to find equilibrium

$Y = AE = C + I^{\to 20}$

$Y = 80 + 0.6Y$

$0.4Y = 80$

$Y = 200$

$Y = 60 + 0.6Y + 20$

$0.4Y = 80$

I คิด 2 รอบ จาก 20 เป็น 40

$Y = AE = C + I^{\to 40}$

$Y = \boxed{100 + 0.6Y}$ equation of AE

$0.4Y = 100$

$Y = 250$

$\frac{\Delta Y}{\Delta I} = \frac{\Delta Y}{20}$

$\frac{\Delta Y}{\Delta I} = \frac{1}{1 - \text{slope AE}}$

$= \frac{1}{1 - 0.6}$

$= 2.5$

⑦ Let S = -60 + 0.4Y and I = 20. Find the equilibrium output with the standard approach. Now, suppose I increases by 20. Find the new equilibrium and the investment multiplier.

8. With the multiplier effect, an injection of money (for example, investment) can lead to a greater proportional increase in output. Explain how this can happen.

⑧ พอเราใช้เงินมันก็จะเป็นรายได้ของคนอื่นและพอเป็นเรื่อยๆ มันก็จะไปช่วยเศรษฐกิจ

When we have an injection of money, people will spend more of their income

⑨ MPC ↑ → $\frac{\Delta Y}{\Delta I}$ ↑   MPC ใหญ่ → คนรับเงินก้อนใหญ่ → ใช้เงินเยอะ

spent a lot of money

⑩ Paradox of Thrift

demand ลด → output ลดลงตามลำดับ → saving ลด