



Lecture Recap

The Goods Market



Lecture Recap

The Goods Market

► Equilibrium conditions:

1. output (Y) = demand (Z) = consumption (C) + investment (I) + government spending (G)
2. investment (I) = private savings (S) + public savings ($T - G$)



Lecture Recap

The Goods Market

► Equilibrium conditions:

1. output (Y) = demand (Z) = consumption (C) + investment (I) + government spending (G)
2. investment (I) = private savings (S) + public savings ($T - G$)

► Equilibrium output:

$$Y = \frac{1}{1 - c_1}(c_0 - c_1 T + I + G)$$



Lecture Recap

The Goods Market

► Equilibrium conditions:

1. output (Y) = demand (Z) = consumption (C) + investment (I) + government spending (G)
2. investment (I) = private savings (S) + public savings ($T - G$)

► Equilibrium output:

$$Y = \underbrace{\frac{1}{1 - c_1}}_{\text{multiplier}} \underbrace{(c_0 - c_1 T + I + G)}_{\text{autonomous spending}}$$

Lecture Recap

The Goods Market

► Equilibrium conditions:

1. output (Y) = demand (Z) = consumption (C) + investment (I) + government spending (G)
2. investment (I) = private savings (S) + public savings ($T - G$)

► Equilibrium output:

$$Y = \underbrace{\frac{1}{1 - c_1}}_{\text{multiplier}} \underbrace{(c_0 - c_1 T + I + G)}_{\text{autonomous spending}}$$

since $C = c_0 + c_1 Y_D = c_0 + c_1(Y - T)$.