Econ 2 - Lecture 10 - 5/1/25

Weekly Lecture Quizzes Released on Wednesdays

⁷ It answering questions in lecture, 40 quiz points = full credit
⁷ It not answering lecture questions, 50 quiz points = full credit

Discussion Activity in weeks le. 8,10

-> Need 3 out of 5 for full medit

This Week: Short-Run Equilibrium, Y=AE! Last class: Consumption Function!

Warm up Questions From Table to Equation





What is Mpc? What is the autonomous consumption?

 $MPC = \frac{\Delta C}{\Delta \gamma - T} = \frac{\Delta C}{\Delta \gamma} = \frac{80}{100} = 0.8 \rightarrow \text{ Understand} \\ \text{meaning of } 0.$

 $C = AC + mpc \cdot (Y - T) = Sop = AC + 0.8 \cdot (600 - 100)$ $R_{2} = R_{2} + 100 = AC + 100 = AC = 10$

Consumption function -

V

20

C = 100 + 0.8. (Y - 100) = 100 + 0.8.Y - 80= 20 + 0.8.Y Craph Cvs Y > incorporate toxes into





1. Toxes > If TT, DIV, CV for all Y IF TJ, DIT, CT for all Y

2. Astonomous Consumption

Lowen Expectations ~ ACV

Excited about the economy # ACT

Aggregate Expendition Goal: Find when Y= AE J Total Spending GOP=C+I+G+NX -> Consumption (70%)

Explore rest of spenders > beyond households

Next Group: Firms

Planned Investment Spending = IP Whet is "planned"?

1. Capitel Spending: machines. hardwoore, buildings, etc.

2. New Homes => All of I^C is capital * New Homes

Not considuring "unplamed" Investment > Changes in inventory

-> Possible for the change in inventory = Dimentory = Ø -> I deal Dimentory = 0]

Determinents of I^e Assume that I^e 1. Interest Rete (1) is fixed for all chars 2. Expectations of Y

J. Cash Flos

Next Croup of Spenders: Government (G) Court Spending, same to as before > Coods/services that are necessary, but los profitability Assume G is fixed for all values of Y Last Group of Spenders: Conergners => Net Exports (NX) NX can be negative > NX = X - M => Assume NX is fixed









