

8. Assume the following:

$$D = 10$$

$$INT = 5$$

$$T = 40$$

$$G = 30$$

$$C = 80$$

$$NFP = 10$$

$$CA = -5$$

$$S = 20$$

a)

$$\begin{aligned} Y^d &= S^p + C \\ &= S + D + C \\ &= 20 + 10 + 80 = 110 \end{aligned}$$

b)

$$\begin{aligned} D &= G + TR + INT - T \\ TR &= D - G - INT + T = 10 - 30 - 5 + 40 = 15 \end{aligned}$$

c)

$$\begin{aligned} S &= GNP - C - G \\ GNP &= S + C + G = 20 + 80 + 30 = 130 \end{aligned}$$

d)

$$GDP = GNP - NFP = 130 - 10 = 120$$

e)

$$\text{Government Surplus} = S^g = -D = -10$$

f)

$$\begin{aligned} CA &= NX + NFP \\ NX &= CA - NFP = -5 - 10 = -15 \end{aligned}$$

g)

$$\begin{aligned} GDP &= C + I + G + NX \\ I &= GDP - C - G - NX = 120 - 80 - 30 + 15 = 25 \end{aligned}$$