Exercise 2 (Assignment 1)

- **Due date: Monday, September 23**

- **How to submit:**

  Method 1   Submit to your TA in person before tutorial starts.
  Method 2   Submit through submission box. **Deadline for Method 2: 5pm**

- **Details of submission box:**

  Submission Box#2 (Labeled **ECON2174**)
  6th floor of LSKbuilding, next to Lifts 3&4 (the two lifts close to the cafeteria)

Questions

1. (Question 5.6.1 on page 111 of the text book) Given the following national income model:

$$\begin{cases} Y = C + I_0 + G_0 \\ C = a + b\,(Y - T) \\ T = d + tY \end{cases}$$

   where $a > 0, d > 0, 0 < b < 1$, and $0 < t < 1$ are known parameters and I_0 and G_0 are exogenously determined investment and government expenditures (treat I_0 and G_0 as known numbers). The variables of the model are Y, C, T. Solve the model

   (a) by matrix inversion

   (b) by Cramer's rule

2. Textbook questions:

Page #	Exercise #	Question #
78	4.6	2
93	5.2	3, 4(a)
102	5.4	4(c), 6(a)
107	5.5	3a