

We will use the following values for this example:

CC = 1000 + 0.9Y

G = 500 billion

1 = 1,000,000,000

N = 600 billion

~~X~~

=

9000 billion

$$NX = 900 - 600 = 300$$

$$AE = C + I + G + NX$$

$$AE = 1000 + 0.9Y + 1,000 + 500 + 300$$

$$AE = 1,900 + 0.9Y$$

We know at equilibrium $AE = Y$. To find the equilibrium value of Y , we set $AE = Y$ and solve for Y :

$$Y = 1,900 + 0.9Y$$

Rearrange terms:

$$Y - 0.9Y = 1,900$$

Factory:

$$Y(1 - 0.9) = 1,900$$

Solve for y :

$$Y = 1,900 / (1 - 0.9)$$

$$Y = 1,900 / 0.1$$

$$Y = 19,000$$



This is the
equilibrium value of
Y



We will use the following values for this example:

$$C = 100 + 0.9Y$$

$$I = 1,000 \text{ billion}$$

$$G = 500 \text{ billion} \quad NX = 900 - 600 = 300$$

$$M = 600 \text{ billion}$$

$$X = 900 \text{ billion}$$

$$AE = C + I + G + NX$$

$$AE = 100 + 0.9Y + 1,000 + 500 + 300$$

$$AE = 1,900 + 0.9Y$$



We know at equilibrium $AE = Y$. To find the equilibrium value of Y , we set $AE = Y$. This is the equilibrium value of Y .

$$Y = 1,900 + 0.9Y \quad \text{Rearrange terms: } Y - 0.9Y = 1,900$$

$$\text{Factor } Y: \quad Y(1 - 0.9) = 1,900$$

$$\text{Solve for } Y: \quad Y = 1,900 / (1 - 0.9)$$

$$Y = 1,900 / 0.1$$

$$Y = 19,000$$

