

①

$$Y \equiv C_0 + I_0 + G_0 + EX$$

$$C \equiv C_0 + C_F$$

$$I \equiv I_0 + I_F$$

$$G \equiv G_0 + G_F$$

$$Y \equiv C - C_F + I - I_F + G - G_F + EX \quad IM$$

$$\equiv C + I + G + EX - (C_F + I_F + G_F)$$

$$\equiv C + I + G + EX - IM$$

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$$CA \equiv PX \cdot EX - PM \cdot IM \quad \text{Real: } EX - IM = CA'$$

$$CA_{US} + CA_{SA} + CA_{GE} + \dots \equiv 0$$

$$NW \equiv A - L$$

$$NW \equiv NW_{-1} + CA$$

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$$S \equiv Y - C - G$$

$$Y \equiv C + I^a + G + EX - IM$$

$$Y - C - G \equiv I^a + EX - IM$$

$$S - I^a \equiv EX - IM$$

$$C = bY$$

$$IM = mY$$

$$Y = C + I + G + EX - IM$$

$$Y = bY - mY + (I + G + EX)$$

$$Y = \frac{1}{1-b+m} (I + G + EX)$$

$$b = .75, m = .2, \frac{1}{1-b+m} = \frac{1}{.25+.2} = 2.22$$

TWIN DEFICITS ~~response~~

$$C = b(Y - T)$$

$$Y = C + I + G + EX - IM$$

$$IM = m(Y - T)$$

$$D \equiv G - T$$

$$CA' \equiv EX - IM$$

say  $G \uparrow$  (no  $T$  change)

then 1)  $D \uparrow$

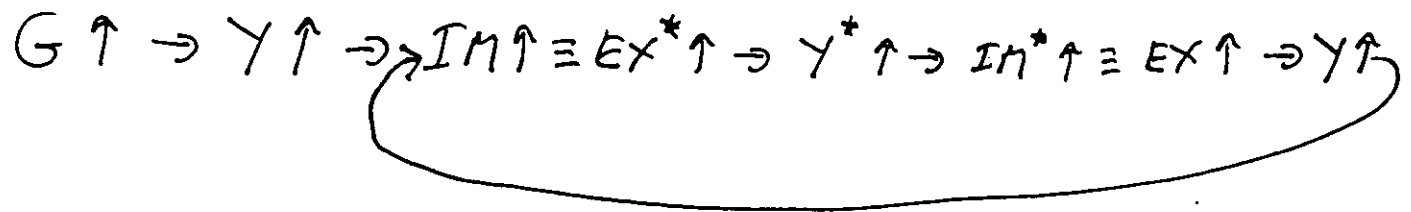
2)  $Y \uparrow \rightarrow IM \uparrow \rightarrow CA' \downarrow$

IM : same as  $C$

$P$  vs.  $PM$  ( $\frac{P}{PM} \uparrow \rightarrow IM \uparrow$ )

$EX$ : same as  $IM$ , but different country

TRADE FEEDBACK EFFECT



PRICE FEEDBACK EFFECT

