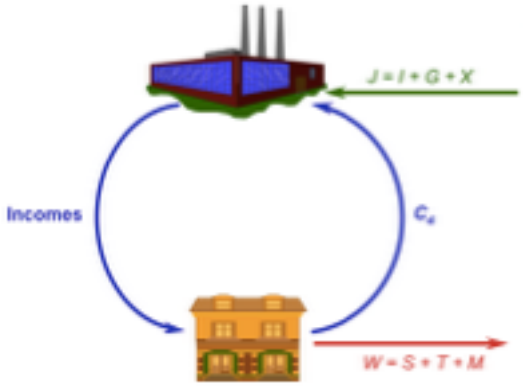
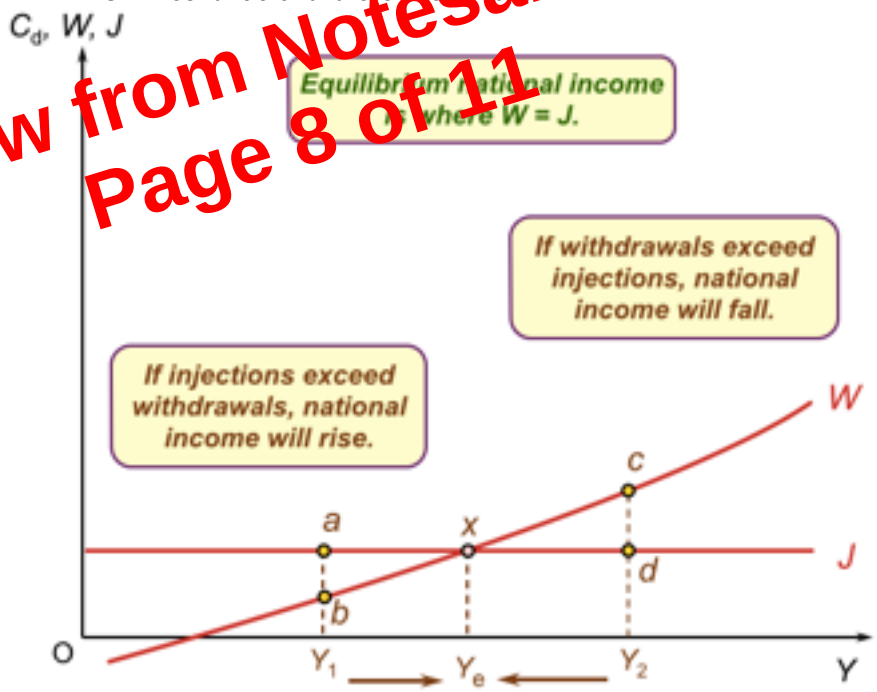
Review the MULTIPLIER < don't really get it..

Question - Aggregate Demand and the National Economy (7A)	Answers
Equilibrium Level of NI **Understand this!**	• Any change in injections and/or withdrawals will effect National Income.  • Equilibrium can be shown on the Keynesian diagram by considering either: 1) The ***withdrawals and injections*** approach 2) The ***income and expenditure*** approach There should be an equilibrium of J and W and if this is not the case we will experience disequilibrium. To simplify this are the following: - **J>W —> Y^ and W^ until W and J are equal** - **W>J —> Y down and W down —> until W and J are equal**

	In this diagram the equlibrium is at point X and the national income is at Ye.
	- If the national income was at Y1 injection would exceed withdrawals by the amount of a - b. This will encourage firms to produce more and in turn will increase income as firms will employ more people.
	  - However, this will also increase taxes and imports resulting in withdrawals to also rise.
	  - This will continue until there is equilibrium
	 

Preview from Notesale.co.uk
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