Eco202 MT2 2022-23

Question 1.

a) $c_1 + a_1 = y_1 - T_1$ 1.5p

$c_2 = y_2 - T_2 + a_1(1+R)$ 1.5p

b) $a_1 = y_1 - T_1 - c_1$ 1p

$c_2 = y_2 - T_2 + (y_1 - T_1 - c_1)(1+R)$ 1p

$c_1(1+R) + c_2 = y_2 + y_1(1+R) - T_2 - T_1(1+R)$ 1p

$c_1 + \frac{c_2}{1+R} = y_1 + \frac{y_2}{1+R} - T_1 - \frac{T_2}{1+R}$ 1p