Lecture 6

Chapter 7

Applications to Comparative – Static Analysis

How the equilibrium value of an endogenous variable will change when there is a change in any of the exogenous variables or parameters.

Market Model

Solutions: (Valued firms)

Q Q

a b

S S

D’ D

D D’

0 p p

Q Q

c S d S’

S’ S

D

D

0 p p

National Income Model

The Jacobian determinant |J| defined in formula will be identically zero for all values of if and only if the n functions are funtivnely (linearly or non-linearly) dependent.