The equation that defines the Gross National Product of a country

$GNP = C + I + G + (X – M) + NIRA$

in cui

GNP = gross national product

C = private consumption

I = investments

G = public expenditure

X = exports

M = imports

NIRA = net income from abroad

$X – M + NIRA$ current account balance

Equilibrium state o fan open economy (Mundell-Fleming model)

$$Y = C (Y – T) + I (r, Y) + G + NX(Y, Y_f, E(S_n) / (1+ i – i_f))$$

$$MS / P = MD / P = L (Y, i)$$

Y= gross national product

C = consumption

T = taxation

I(.) = investment function

i, r = nominal and real interest rates

G = public expenditure

NX(.) = net exports function

Y_f = gross national product rest of the world

i_f = foreign interest rate

$E(S_n)$ = expected nominal Exchange rate

MS = nominal money supply

MD = nominal money demand

P = general prices level

L (.) = demand function

Balance of payments

$$BP = CA + KA – \Delta RA$$

BP = balance of payments

CA = current account

KA = capital account

ΔRA = official reserve account

Public expenditure: multiplier and output variation

$$\Delta Y = (1 /(1 – (c_1 + d_2 - S_{real} * m_1))) * \Delta G$$

ΔY = output variation

m_1 = positive constant parameter (marginal propensity to import)

c_1 = marginal propensity to consume

d_2 = positive parameters (investment function)

S_{real} = real exchange rate

ΔG = variation of government expenditure