

ABSTRACT

In this thesis Paul. A. Samuelson's model of multiplier and accelerator for obtaining output fluctuations is discussed. The modified version of above stated model used by Gregory C. Chow is estimated to find the output fluctuations. Four sector economy is considered for national income identity. The results are drawn by using the data from Pakistan. Autonomous consumption and autonomous investment have been dealt as shocks. Impulse Response Function has been used to find out the effect of consumption and investment innovations on GDP. Results show that autonomous investment is more responsible for achieving rise in output as compared to autonomous consumption. Moreover GDP is found more responsive to investment innovations as compared to consumption innovations.