### To simplify, we will assume that imports do NOT depend on Income

### The Components of Aggregate Expenditures

#### Consumer spending depends on National Income(Y): MPC

#### Wealth

# Expectations

#### Prices

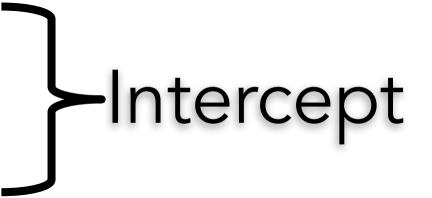
# $C = Intercept + MPC \times Y$

### Government spending does NOT depend on Income. It changes with Government policy

G= Value which changes with policy

Investment spending does NOT depend on Income. It changes with

business' plans for plant expansion and consumers' plans for buying new homes





= Value which changes with Investment plans



# X and M = Values which change with factors different from Income

# Exports(X) do NOT depend on U.S. Income



### The Components of Aggregate Expenditures

```
Consumer spending depends on
                                       C = Intercept + MPC \times Y
National Income(Y): MPC
Wealth
Expectations \( \sections \)
Prices
Government spending does NOT depend on Income. It changes with
Government policy
                                   G= Value which changes with policy
                         NOT depend on Income. It changes with
Investment spep
                           ansion and consumers' plans for buying new
business' plan/
               No "Y" in this
homes
              expressions for
                              Value which changes with Investment plans
                Imports and
                            at imports do NOT depend on Income
To simplify,
                  Exports
Exports(X) do de de de de la U.S. Income
```

X and M = Values which change with factors different from Income

### The Components of Aggregate Expenditures

C = intercept + MPC<sub>x</sub>Y

G = Fixed value

= Fixed value

M = Fixed value

X = Fixed value