



Finding the equilibrium value of output from equation...

Finding the equilibrium value of output from a graph:

AE

Where the two lines  
cross: AE and the 45°  
line

AE

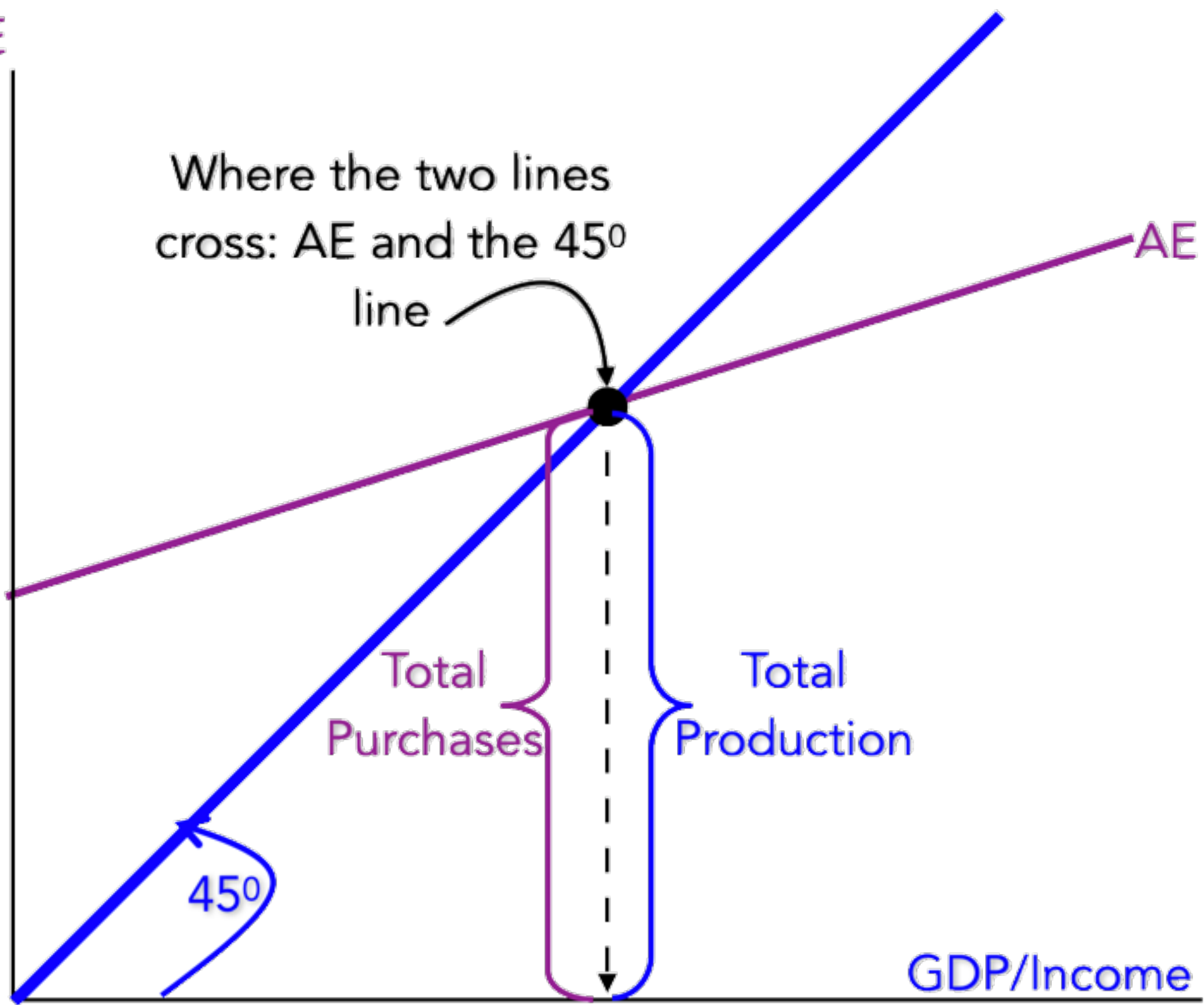
Total  
Purchases

Total  
Production

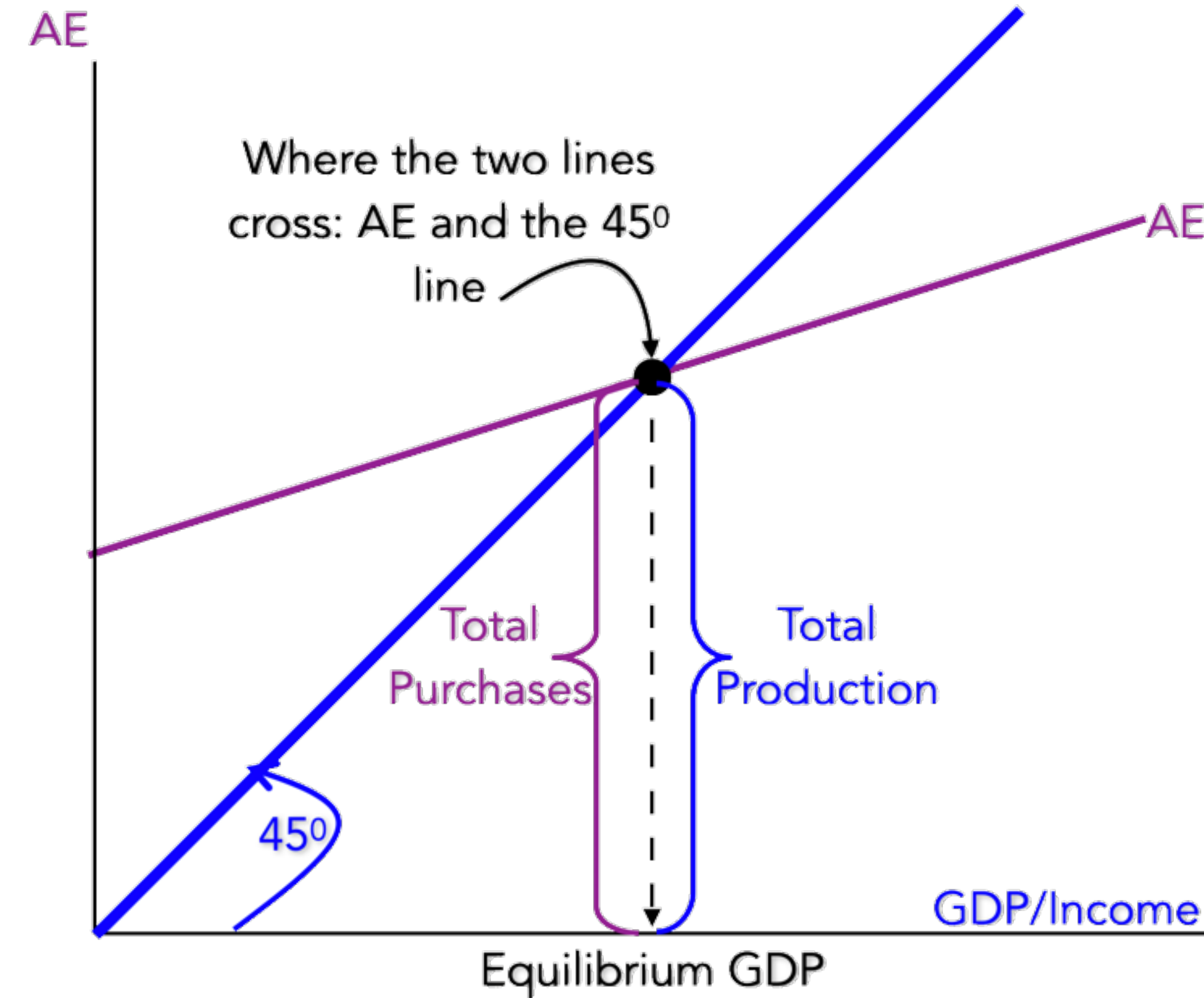
45°

GDP/Income

Equilibrium GDP



Finding the equilibrium value of output from a graph:



Finding the equilibrium value of output from equations....

We will use the following values for this example:

$$C = 100 + 0.9Y$$

$$I = 1,000 \text{ billion}$$

$$G = 500 \text{ billion}$$

$$NX = 900 - 600 = 300$$

$$M = 600 \text{ billion}$$

$$X = 900 \text{ billion}$$