



4

5

AE

AE1

The Spending Multiplier



Y

O

Y

1

=

Y

0

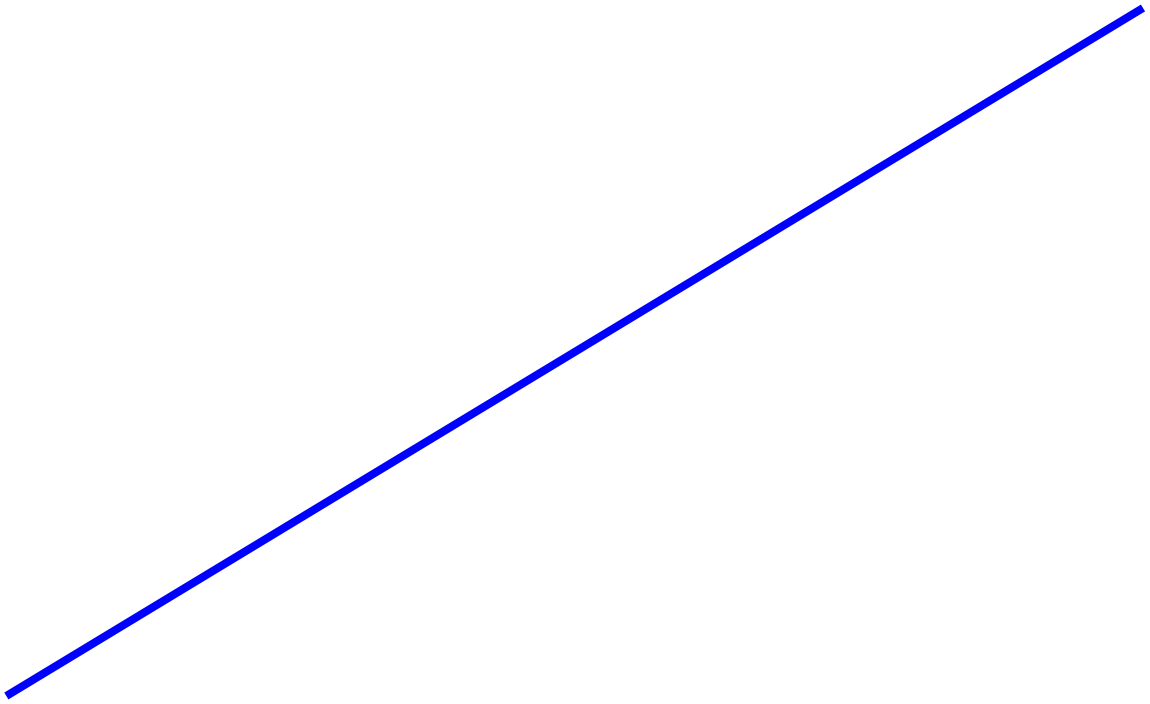
+

△

Y

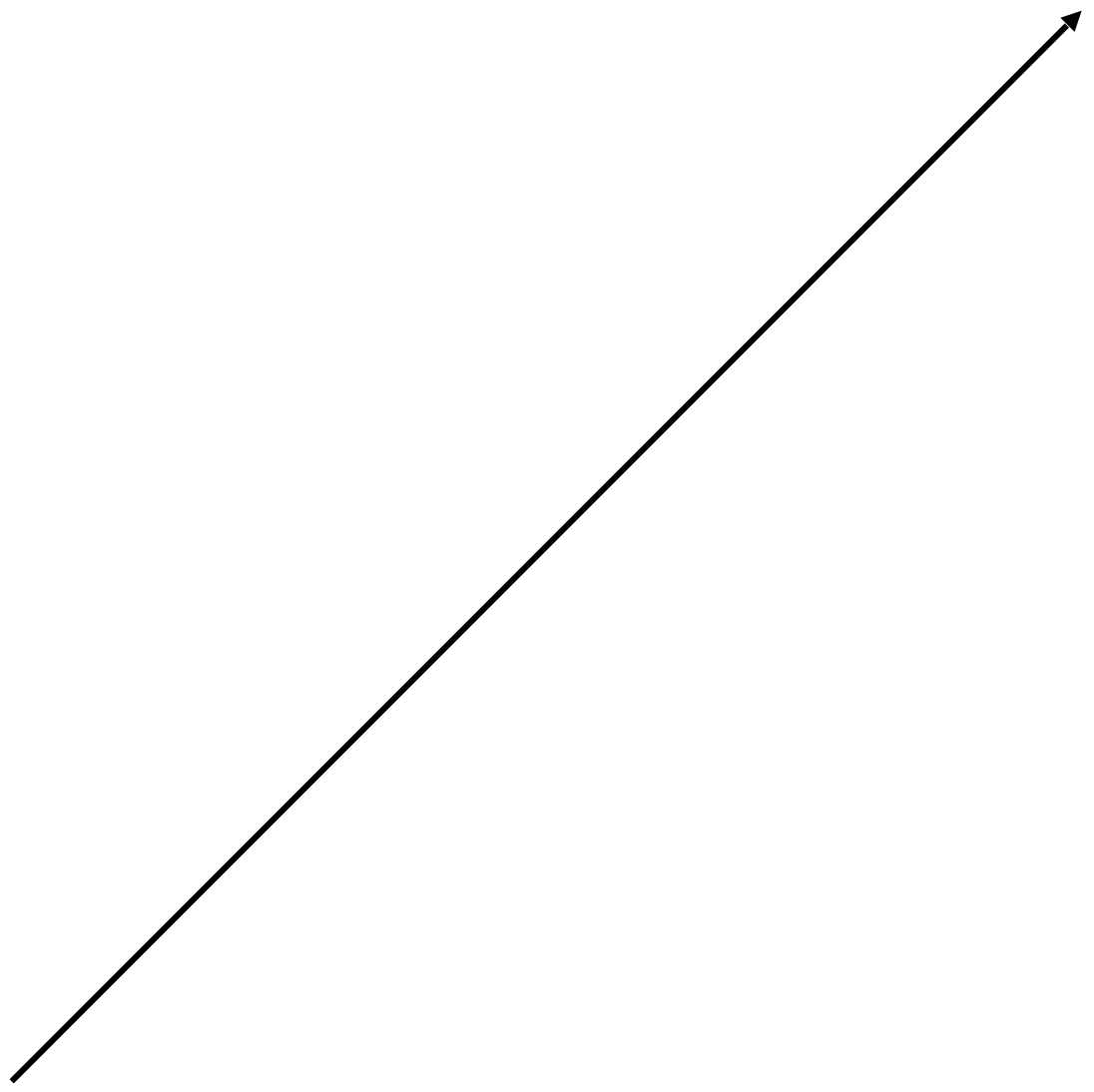
















AE = YO

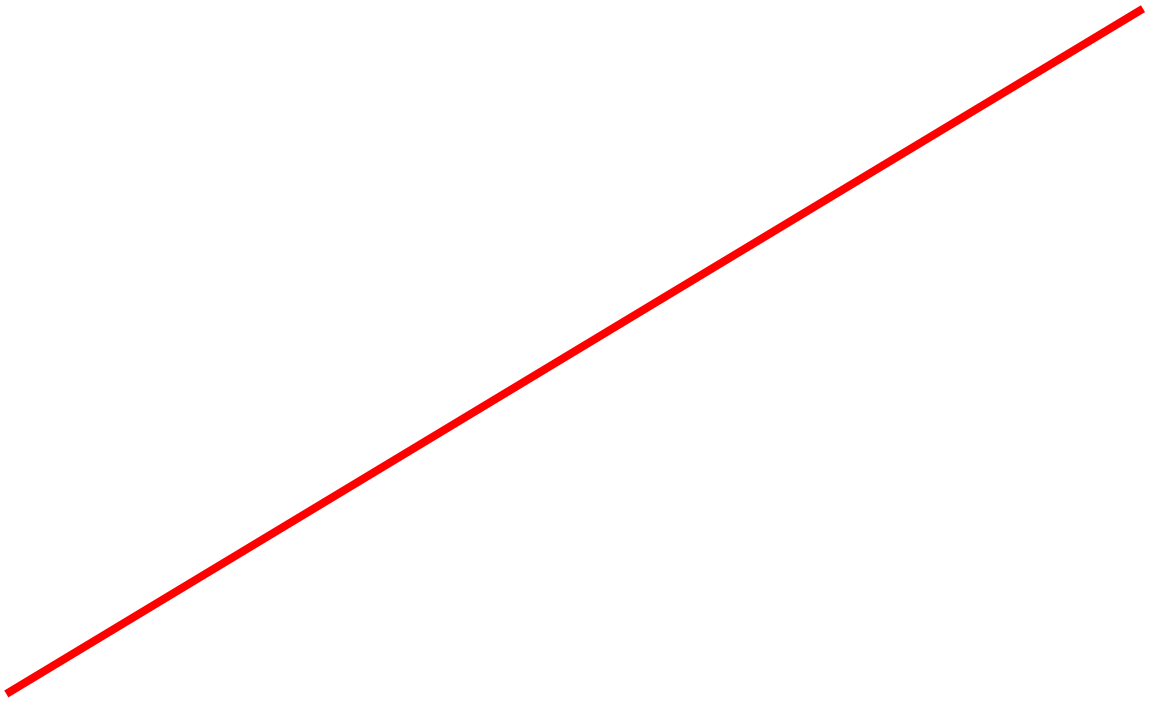


$$AE_1 = Y_1 - - - - -$$

WAVE

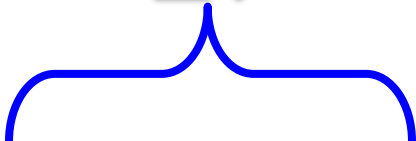








$\Delta Y$



=

$\Delta$

G





$\Delta a$

**ΔNX**

$$\left( \frac{1}{1 - \text{MPC}} \right)$$













An increase in  
Investment has  
the same  
multiplier effect

An increase in  
consumption has  
the same  
multiplier effect

An increase in net  
exports has the same  
multiplier effect





a



$\Delta$

ANX

X



# The Spending Multiplier

