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

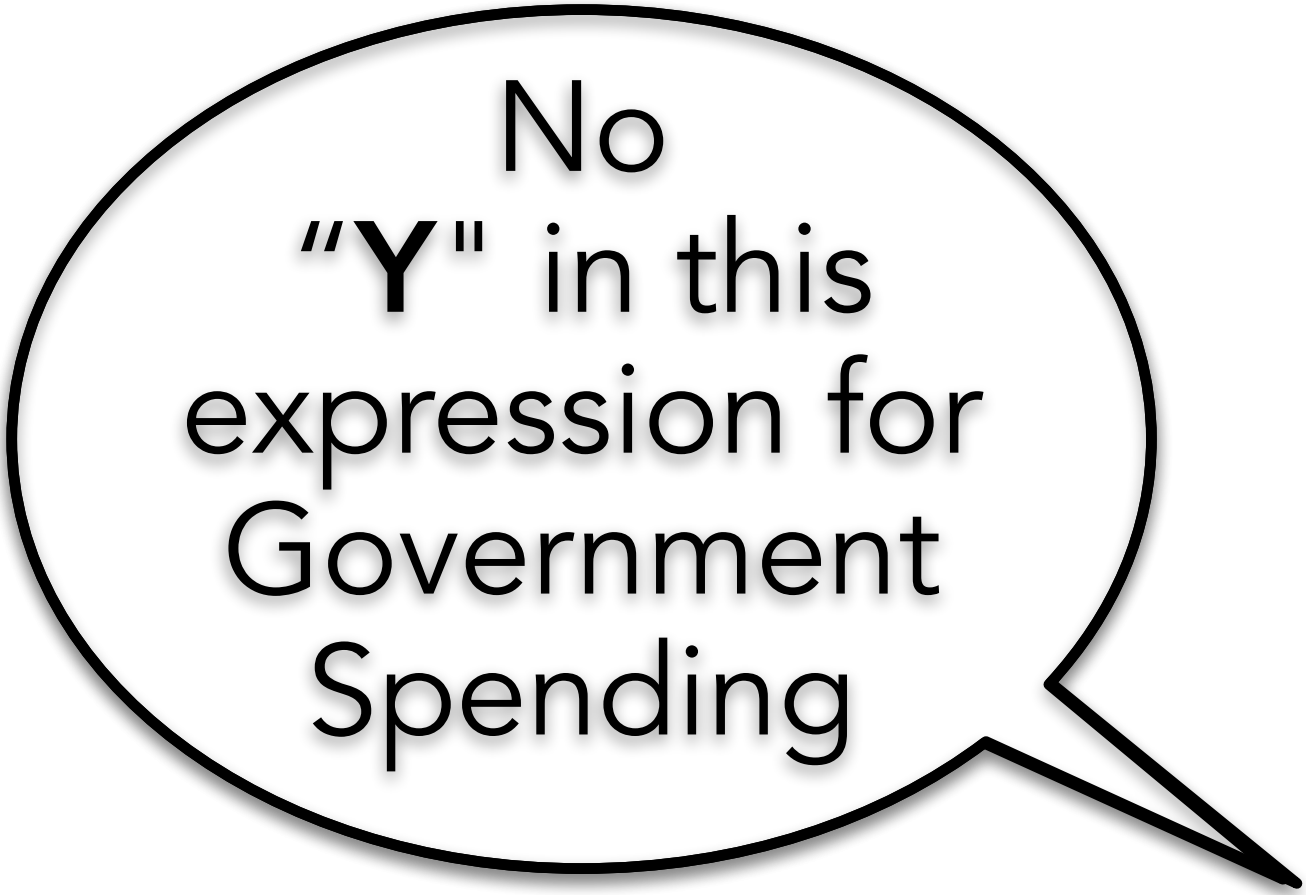
$$C = \text{Intercept} + \text{MPC} \times Y$$

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

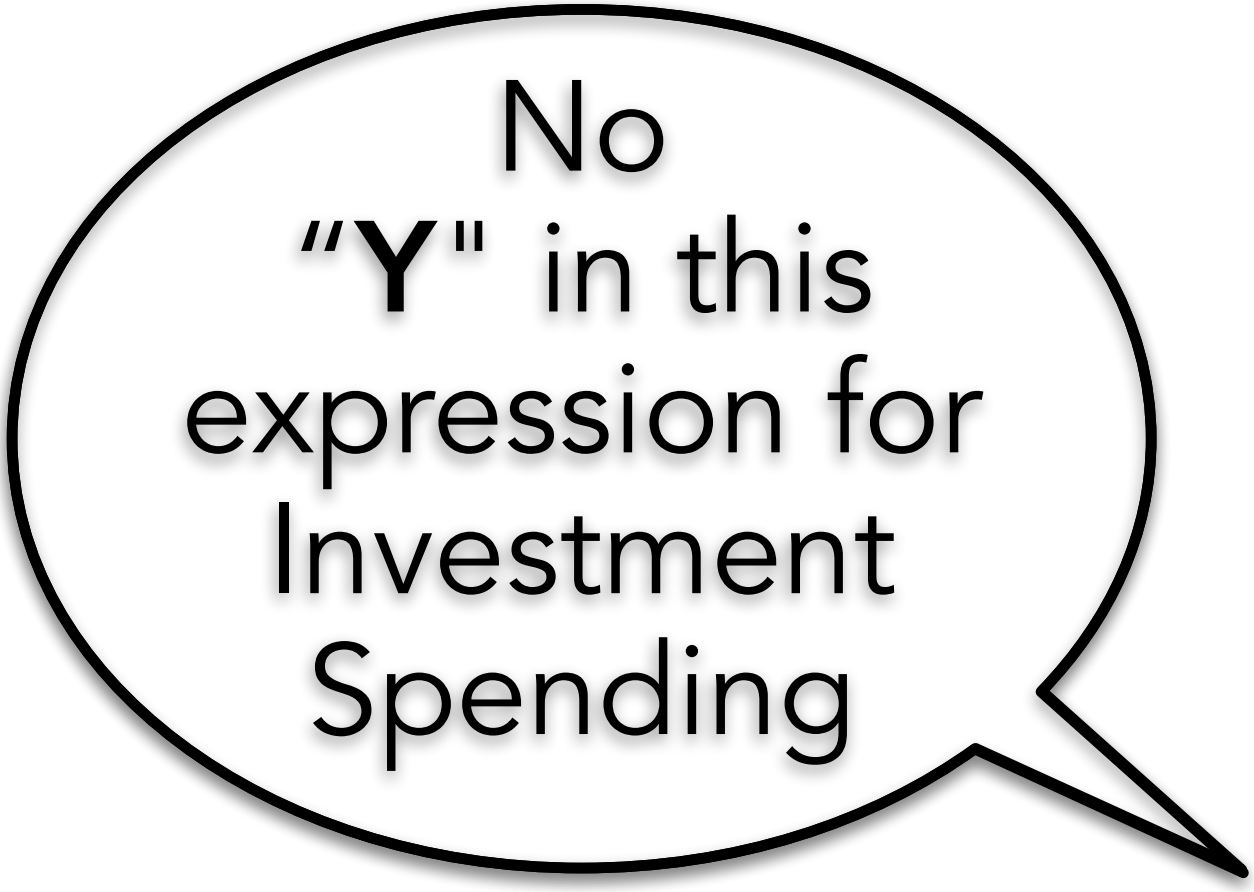
G= Value which changes with policy

Investment spending does NOT depend on **Income**. It changes with business' plans for plant expansion and consumers' plans for buying new homes


Intercept

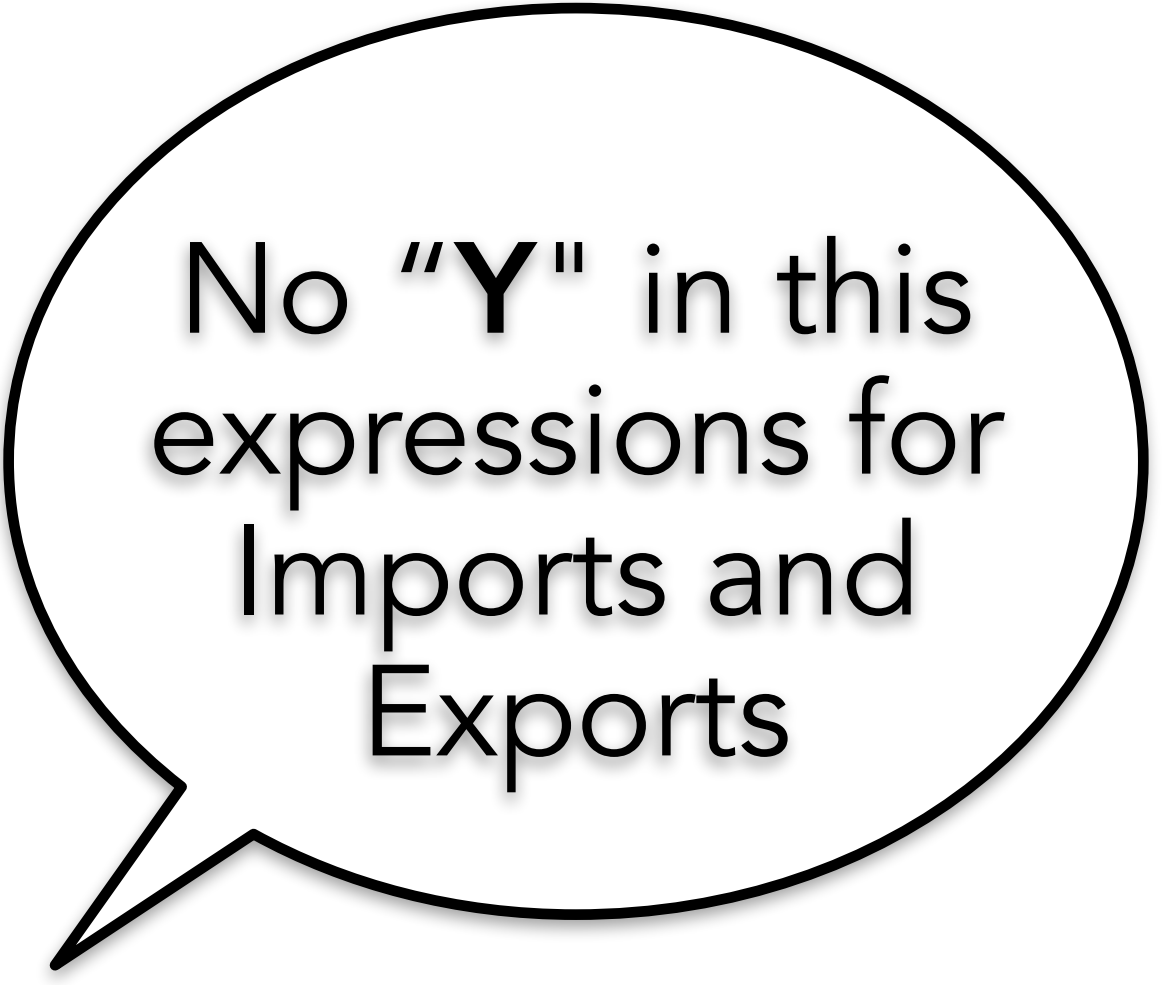

No
"Y" in this
expression for
Government
Spending

I= Value which changes with Investment plans


No
"Y" in this
expression for
Investment
Spending

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

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


No "**Y**" in this expressions for Imports and Exports

The Components of Aggregate Expenditures

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

Wealth
Expectations
Prices
} Intercept

C = Intercept + MPC x **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 expansion and consumers' plans for buying new homes

No "**Y**" in this expressions for Imports and Exports

= Value which changes with Investment plans

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

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

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

The Components of Aggregate Expenditures

C = intercept + $MPC_x Y$

G = Fixed value

I = Fixed value

M = Fixed value

X = Fixed value