

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

$$C \equiv \text{Intercept} + \text{MPC}_x Y$$

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

G == Fixed value

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

|

=

Fixed

value

A black and white speech bubble with a tail pointing towards the bottom right. Inside the bubble, the text "No 'Y' in this expression for Investment Spending" is written in a black, sans-serif font, centered and arranged in five lines.

No
"Y" in this
expression for
Investment
Spending

N == Fixed value

A black-outlined speech bubble with a tail pointing towards the bottom right. Inside the bubble, the text "No 'Y' in this expression for Imports" is written in a black, sans-serif font, centered and arranged in four lines.

No
"Y" in this
expression for
Imports

The Components of Aggregate Expenditures

Consumer spending depends on National Income(Y): MPC

Wealth
Expectations
Prices

} Intercept

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

Government spending does NOT depend on Income. It changes with Government policy **G** = Fixed value

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

No "Y" in this expression for Imports

I = Fixed value

To simplify, we will assume **Imports** do NOT depend on Income.

M = Fixed value

The Components of Aggregate Expenditures

C = intercept + $MPC_x Y$

G = Fixed value

I = Fixed value

M = Fixed value