

4

5

AE O

A

E

1

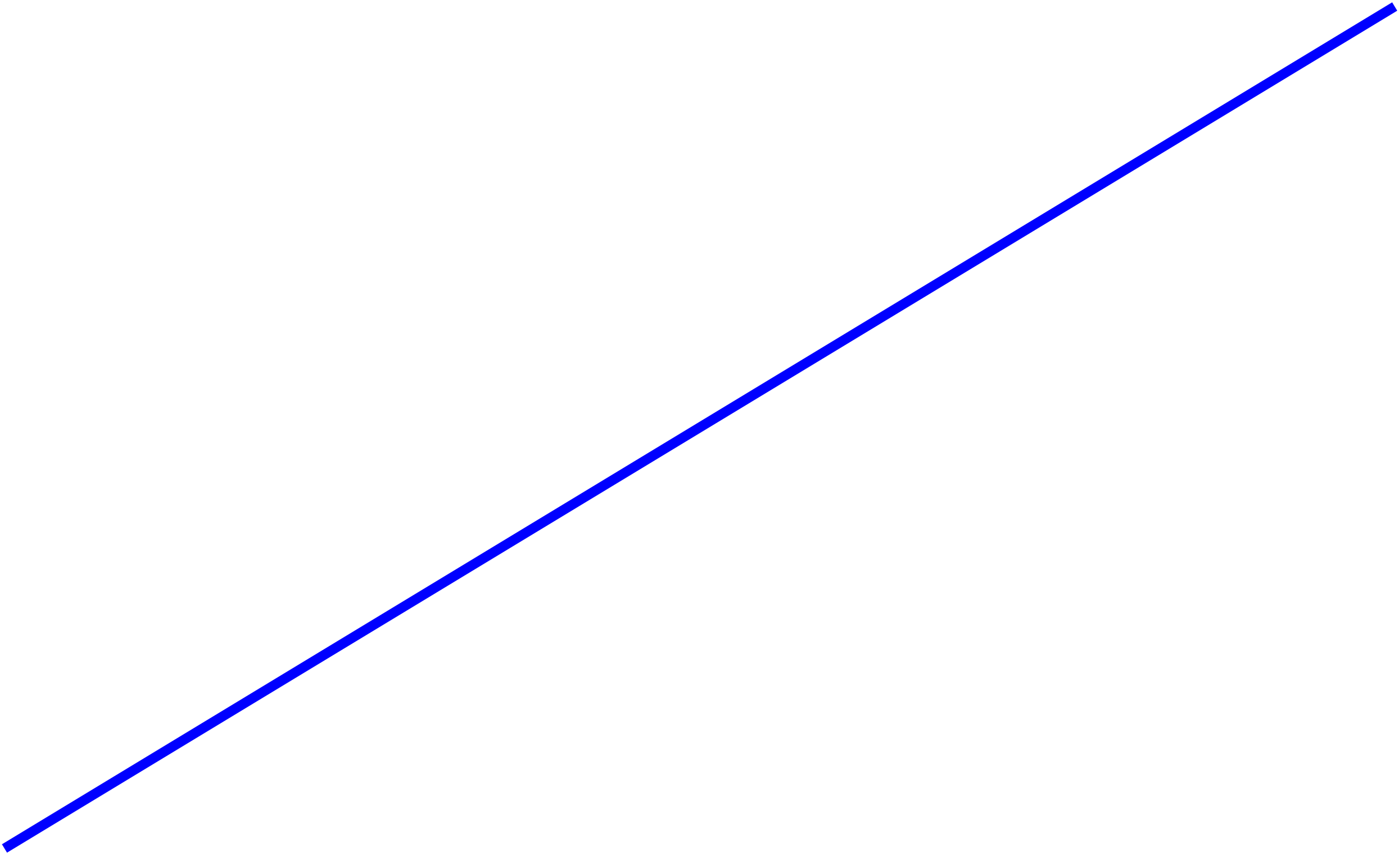
The Spending Multiplier

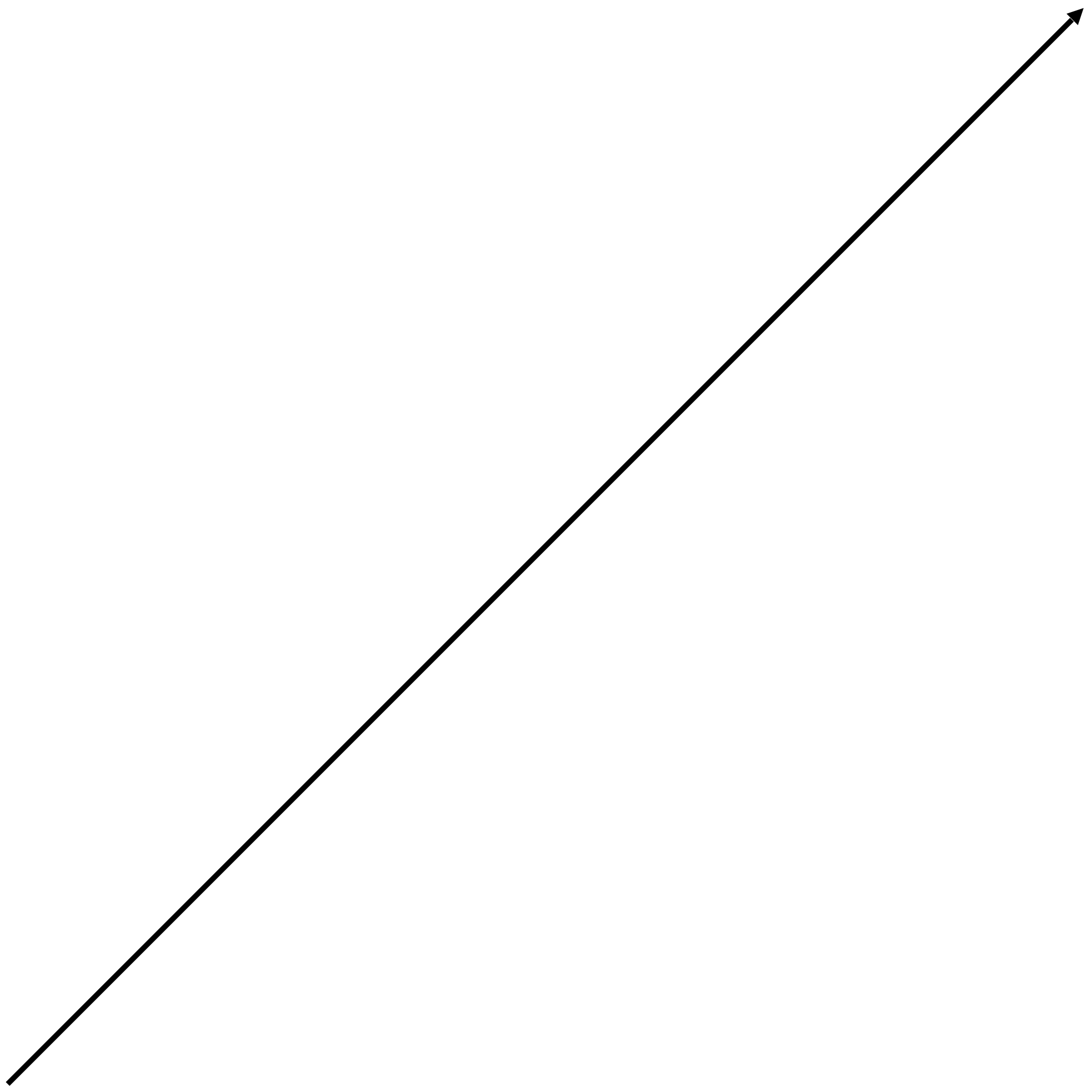
Y

O

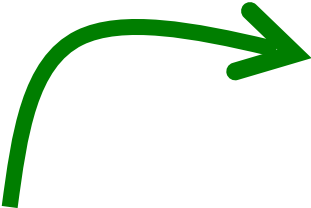
YY₁ = Y₀ + ΔY







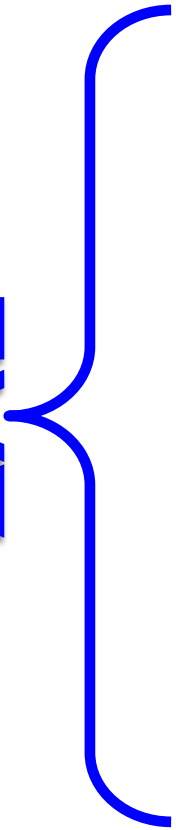


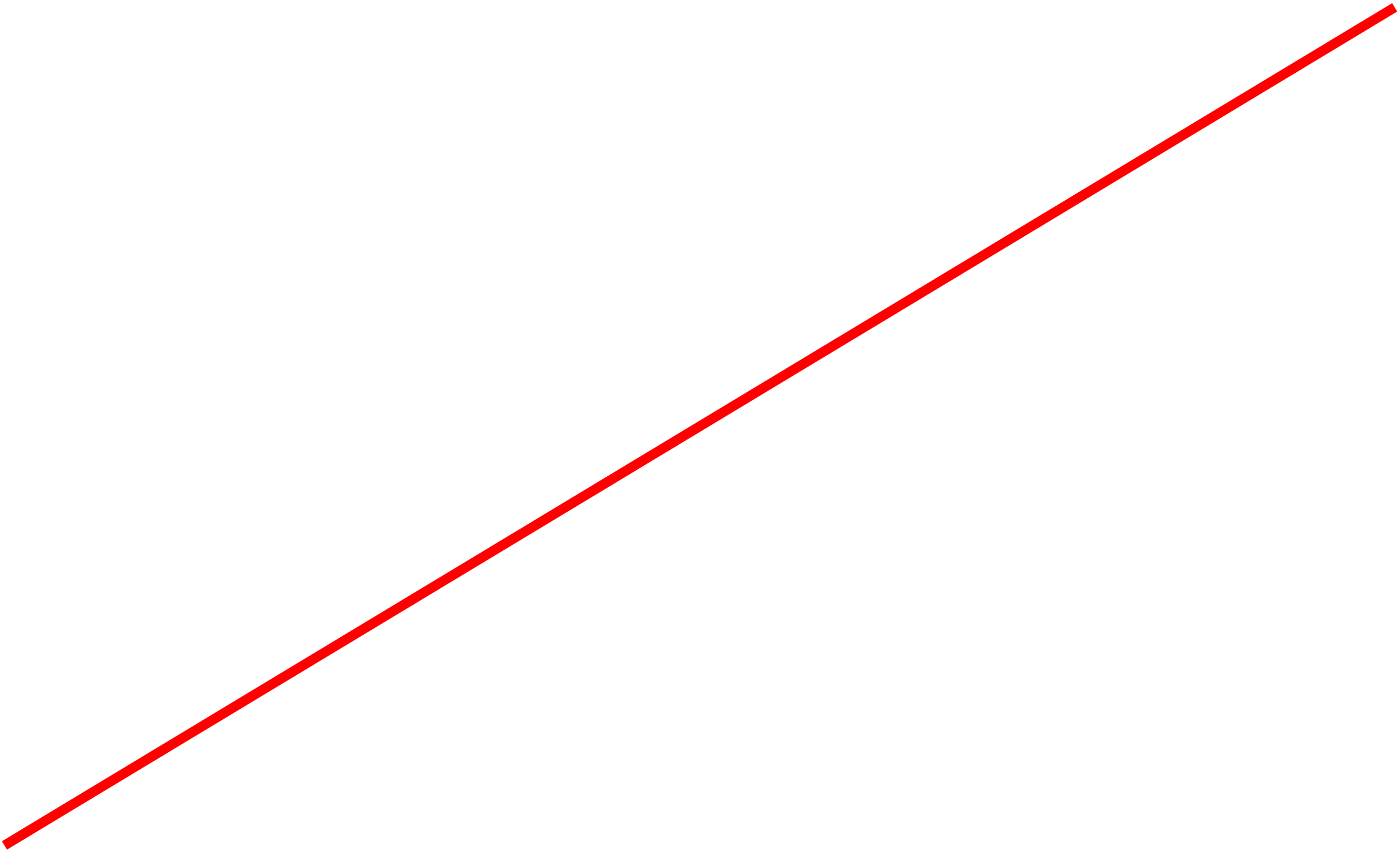


AE O = YO

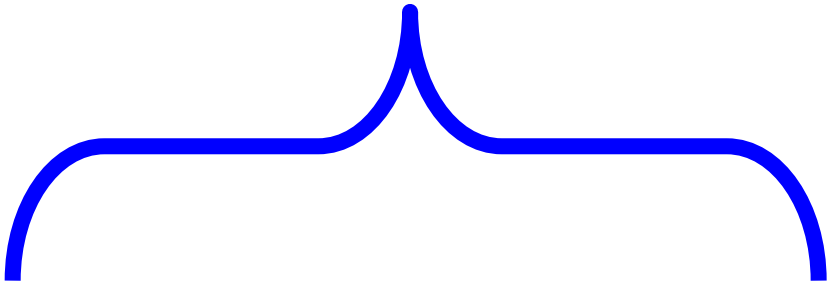
$$AE_1 = Y_1 - - - - -$$

ΔAE





ΔY



= ΔG



Δa

ANX

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





ΔG



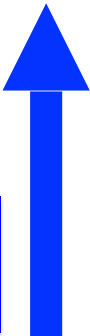




An increase in
Investment has
the same
multiplier effect

An increase in
consumption has
the same
multiplier effect


An increase in net
exports has the same
multiplier effect





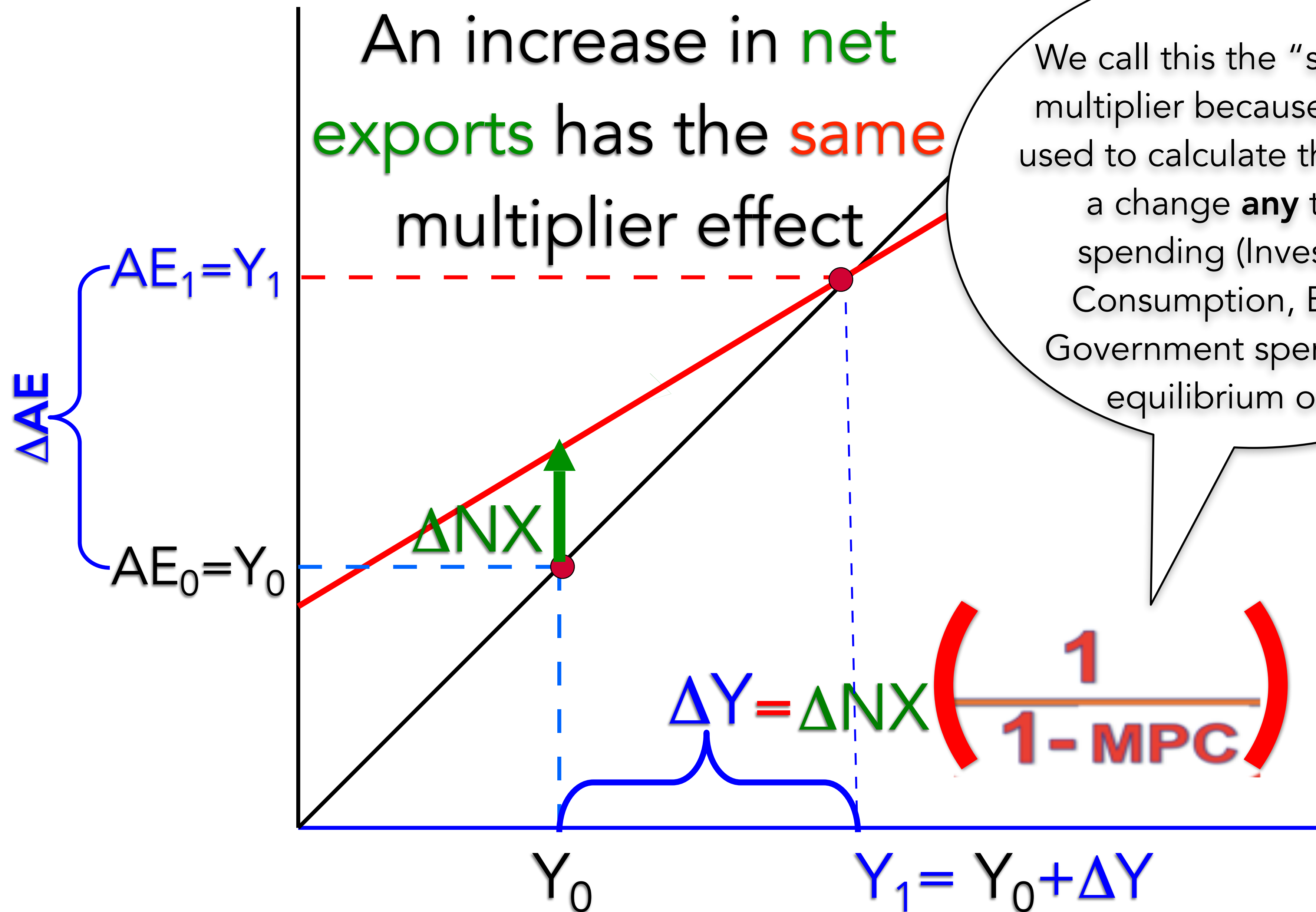
Δ ANX



A large, black-outlined speech bubble with a tail pointing downwards and to the left. Inside the bubble is text explaining the 'spending multiplier'.

We call this the “spending” multiplier because it can be used to calculate the effect of a change **any** type of spending (Investment, Consumption, Exports, Government spending) on equilibrium output

The Spending Multiplier



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