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

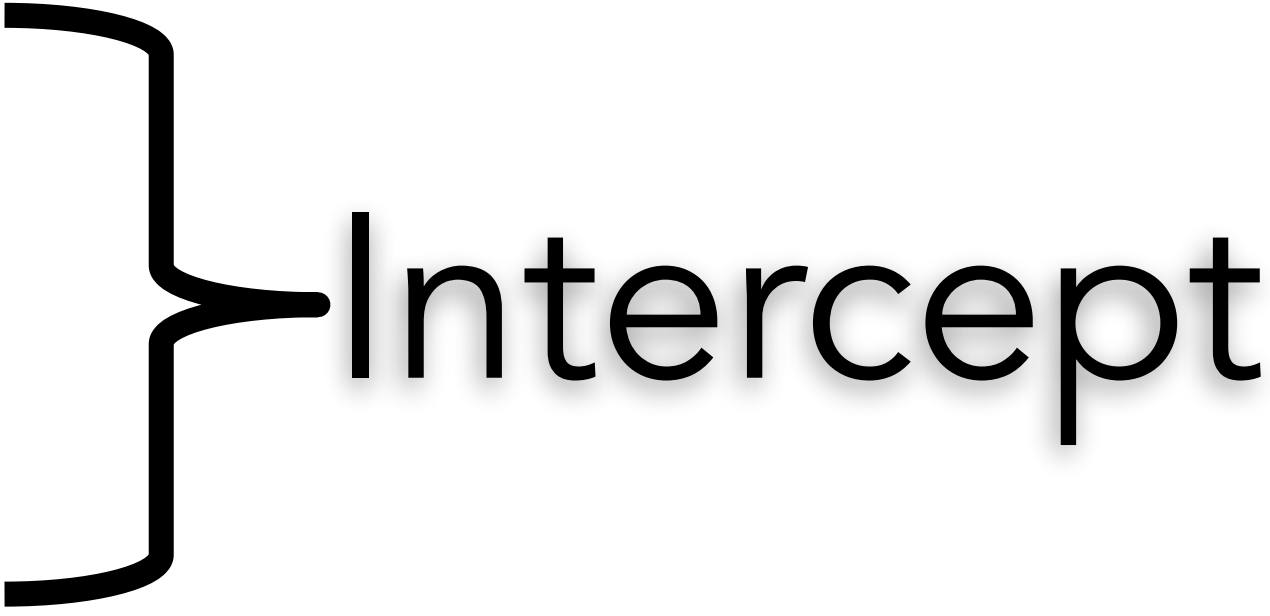
Prices

$$C = \text{Intercept} + MPC_x Y$$

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

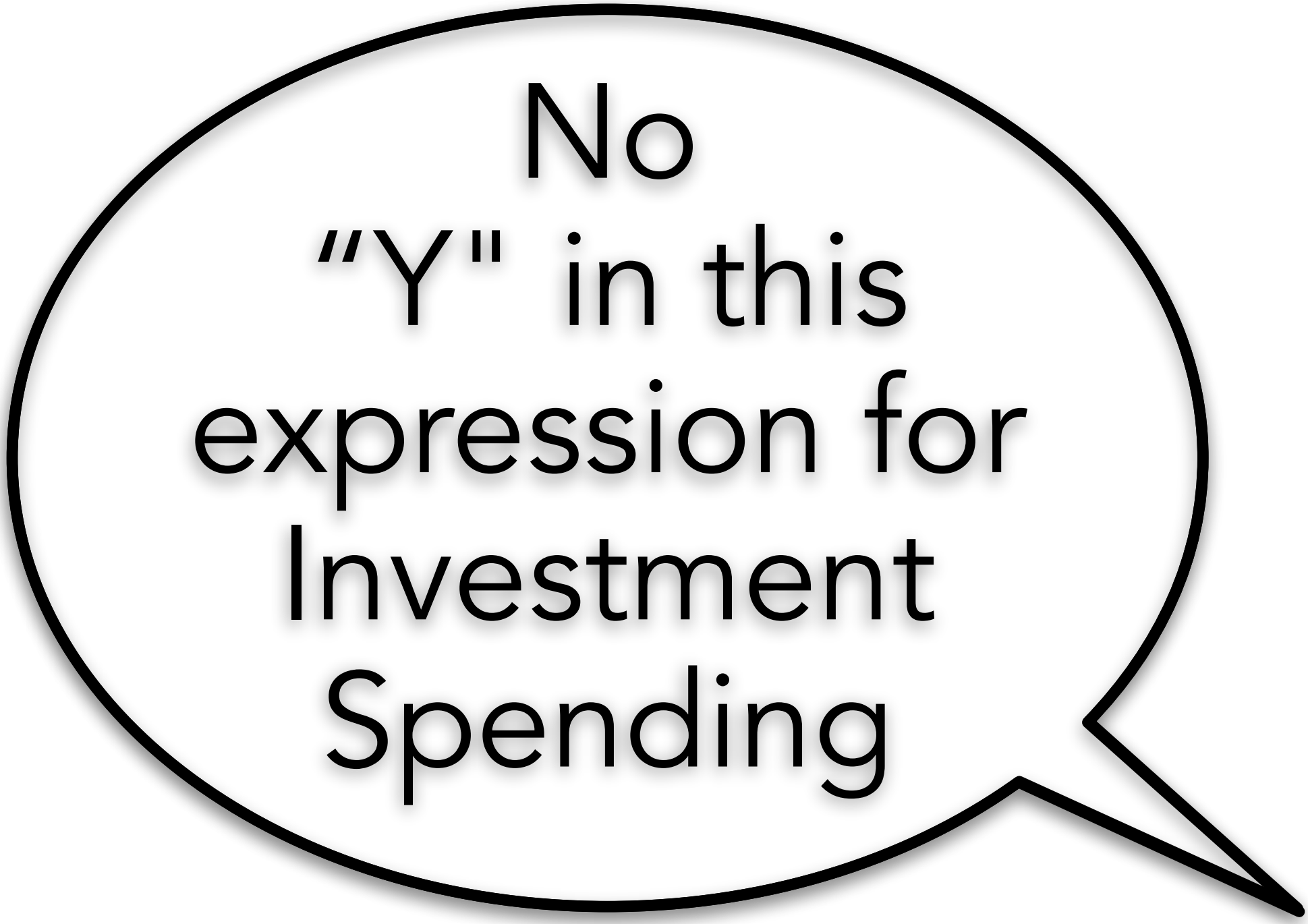
G= Fixed value

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

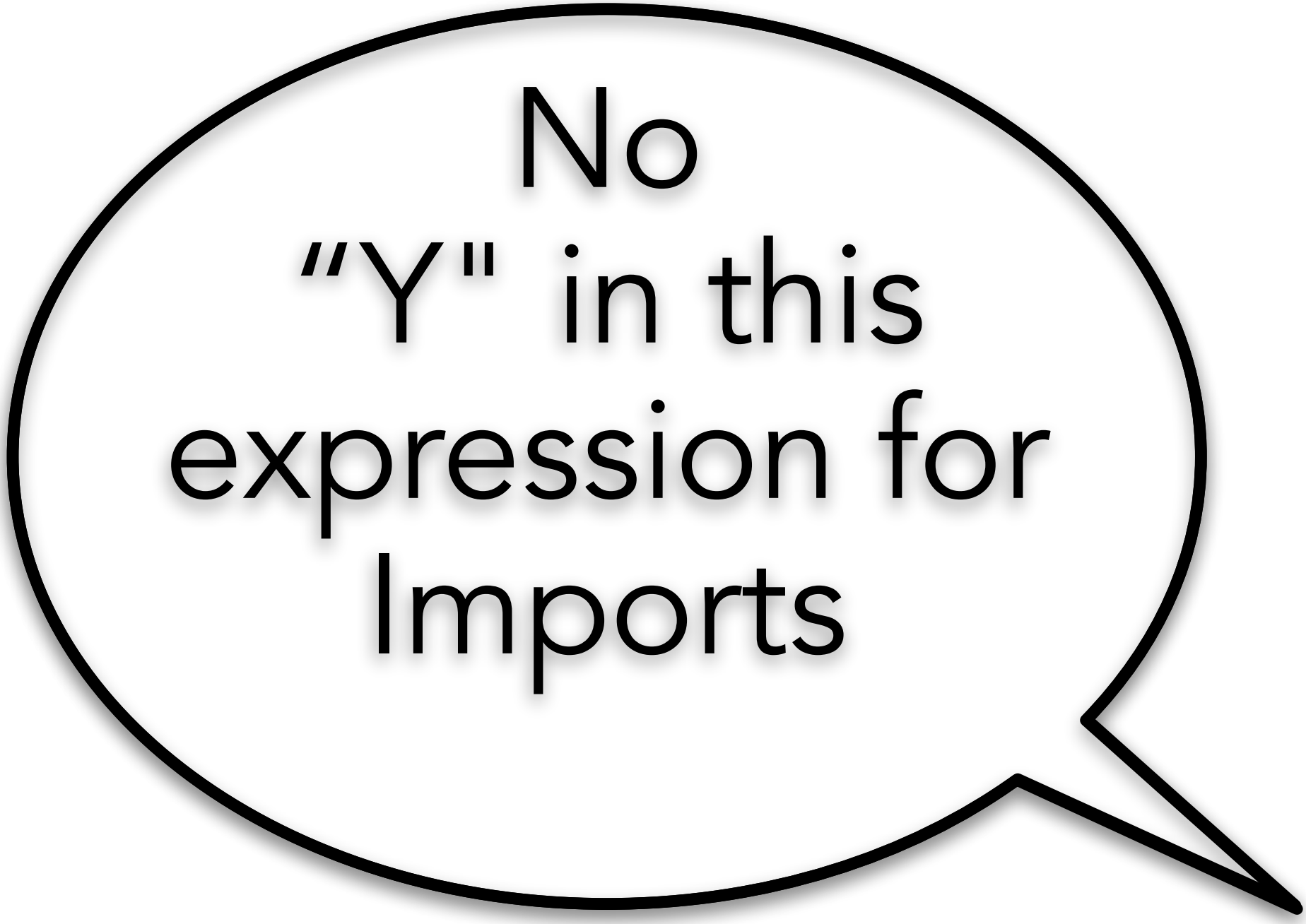

Intercept

No
"Y" in this
expression for
Government
Spending

= Fixed value


No
"Y" in this
expression for
Investment
Spending

M= Fixed value


No
"Y" in this
expression for
Imports

The Components of Aggregate Expenditures

Consumer spending depends on National Income(Y): MPC

Wealth
Expectations } Intercept
Prices

C = Intercept + 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 busine[illegible] plant expansion and consumers' plan[illegible] homes

No "Y" in this expression for Imports

I= Fixed value

To simplify, we will assu[illegible] **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