

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

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

No
"Y" in this
expression for
Government
Spending

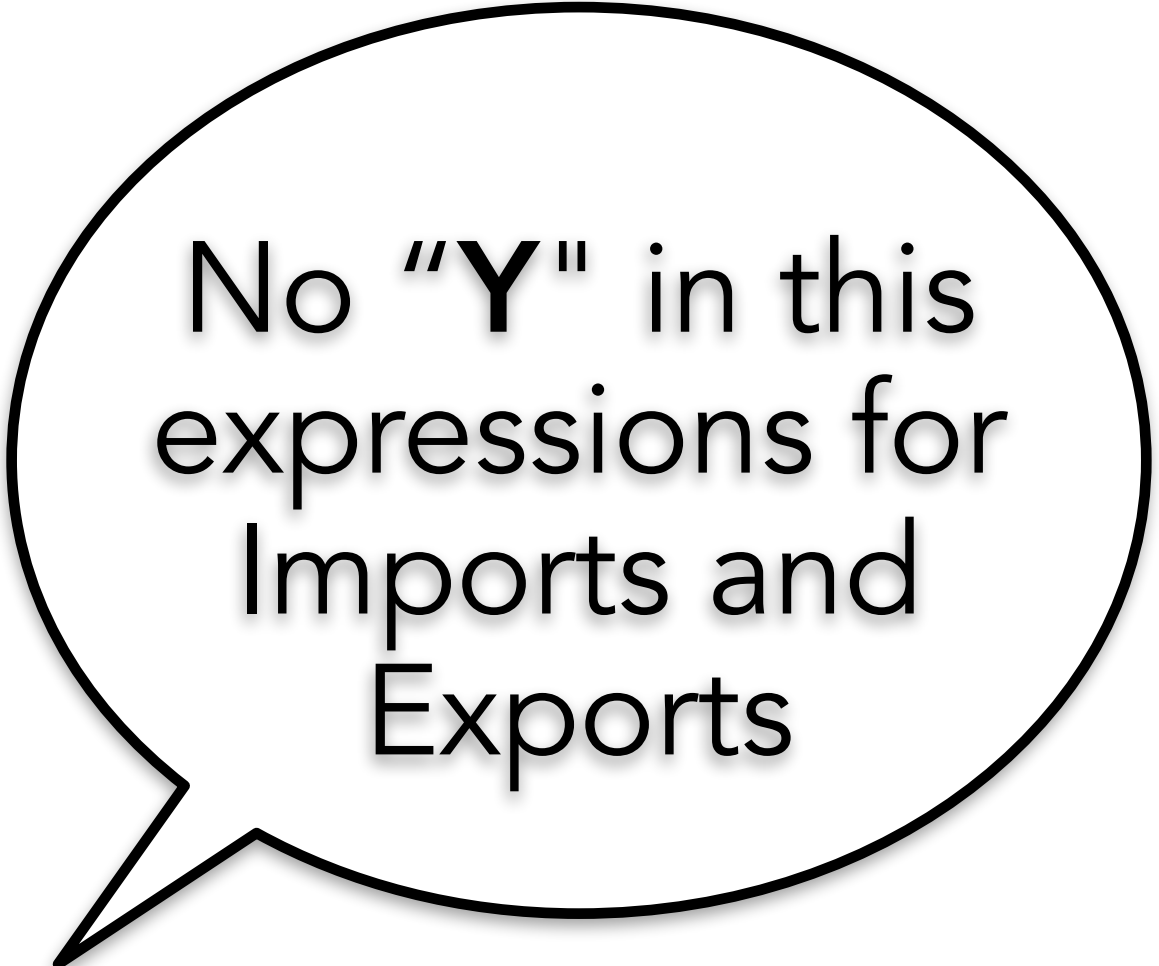
I= Value which changes with Investment plans



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

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

Wealth
Expectations
Prices

} Intercept

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

I = Value which changes with Investment plans

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

No "Y" in this expressions for Imports and Exports

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 + $MPC \times Y$

G = Fixed value

I = Fixed value

M = Fixed value

X = Fixed value