We will use the following values for this example:

$$C = 100 + 0.9Y$$

G= 500 billion

1= 1,000 billion

M= 600 billion

X= 900 billion

NX= 900 - 600 = 300

$$AE = C + I + G + NX$$

$$AE = 100 + 0.9Y + 1{,}000 + 500 + 300$$

$$AE = 1{,}900 + 0.9Y$$

We know at equilibrium AE = Y. To find the equilibrium value of Y, we set AE = Y and solve for Y:

$$Y = 1{,}900 + 0.9Y$$

Rearrange terms:

$$Y - 0.9Y = 1{,}900$$

Factor Y:

$$Y(1 - 0.9) = 1,900$$

Solve for Y:

$$Y = 1{,}900/(1 - 0.9)$$

$$Y = 1{,}900/0.1$$

Y= 19,000

This is the equilibrium value of Y

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AE = 100 + 0.9Y + 1,000 + 500 + 300

AE = 1,900 + 0.9Y

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This is the equilibrium value of Y

Y = 1,900 + 0.9Y Rearrange terms: Y -

Factor Y: Y(1 - 0.9)= 1,900

Solve for Y: Y= 1,900/(1 - 0.9)

Y= 1,900/0.1

Y= 19,000

Equilibrium: Another View