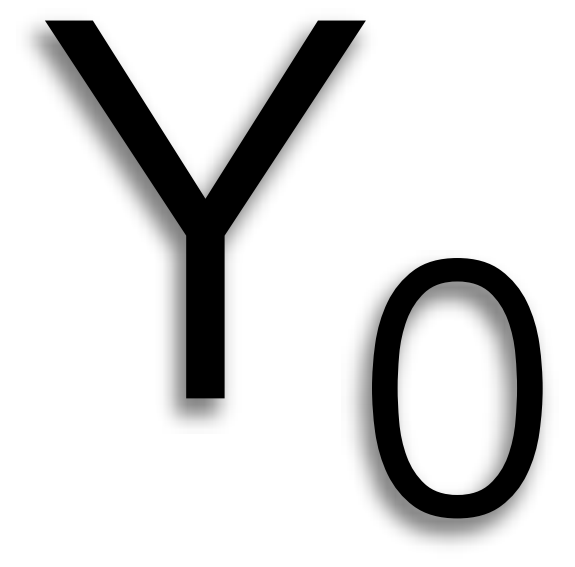
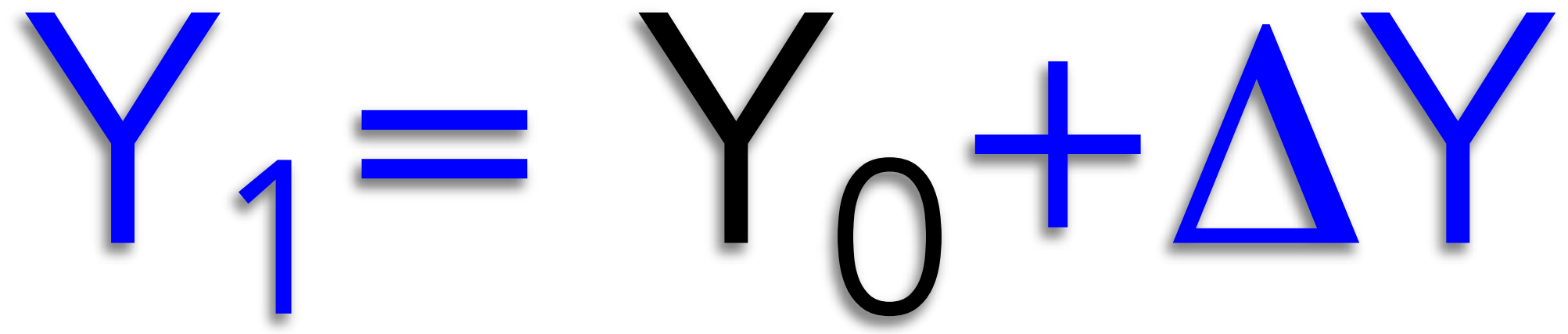

45

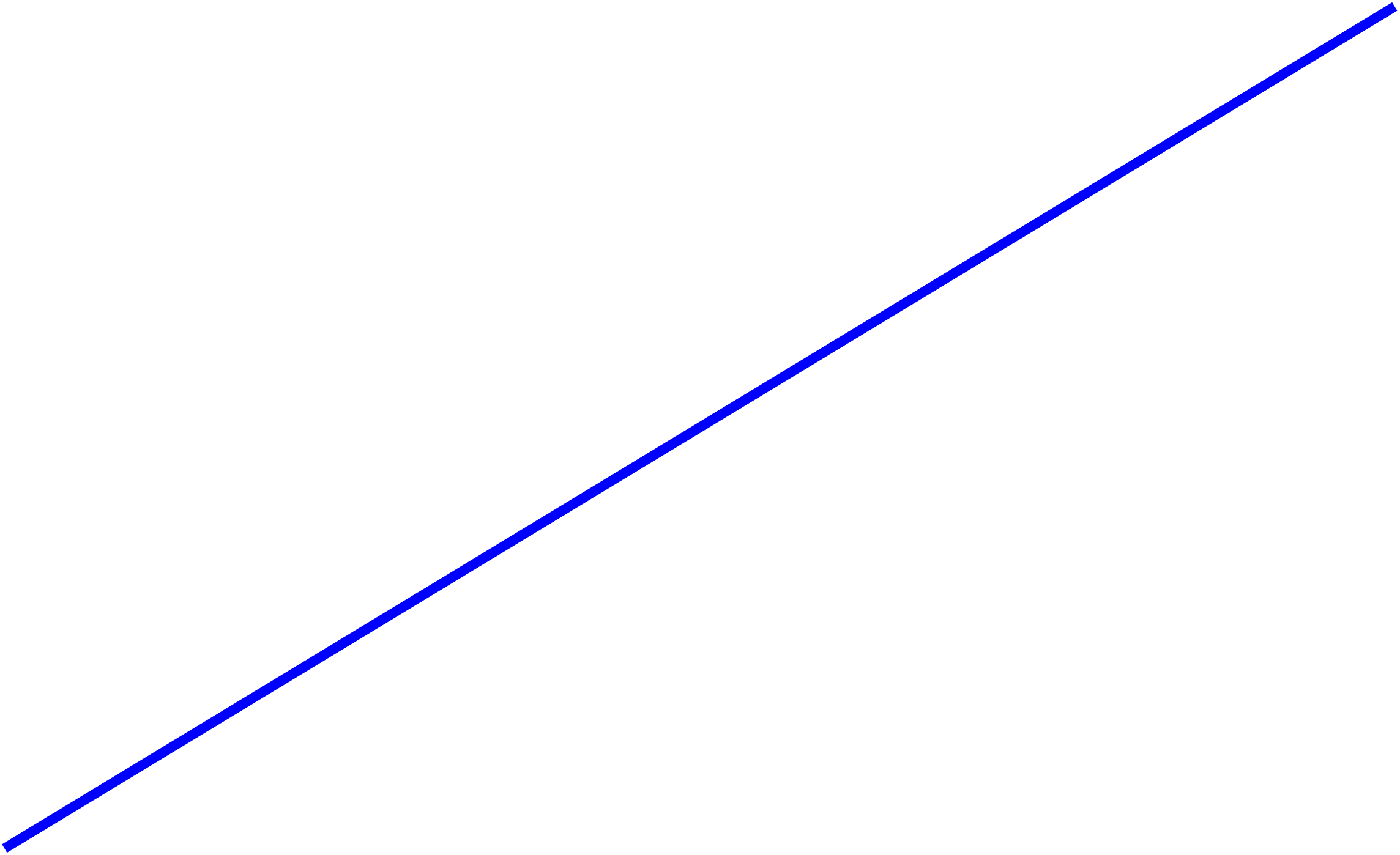

AEO

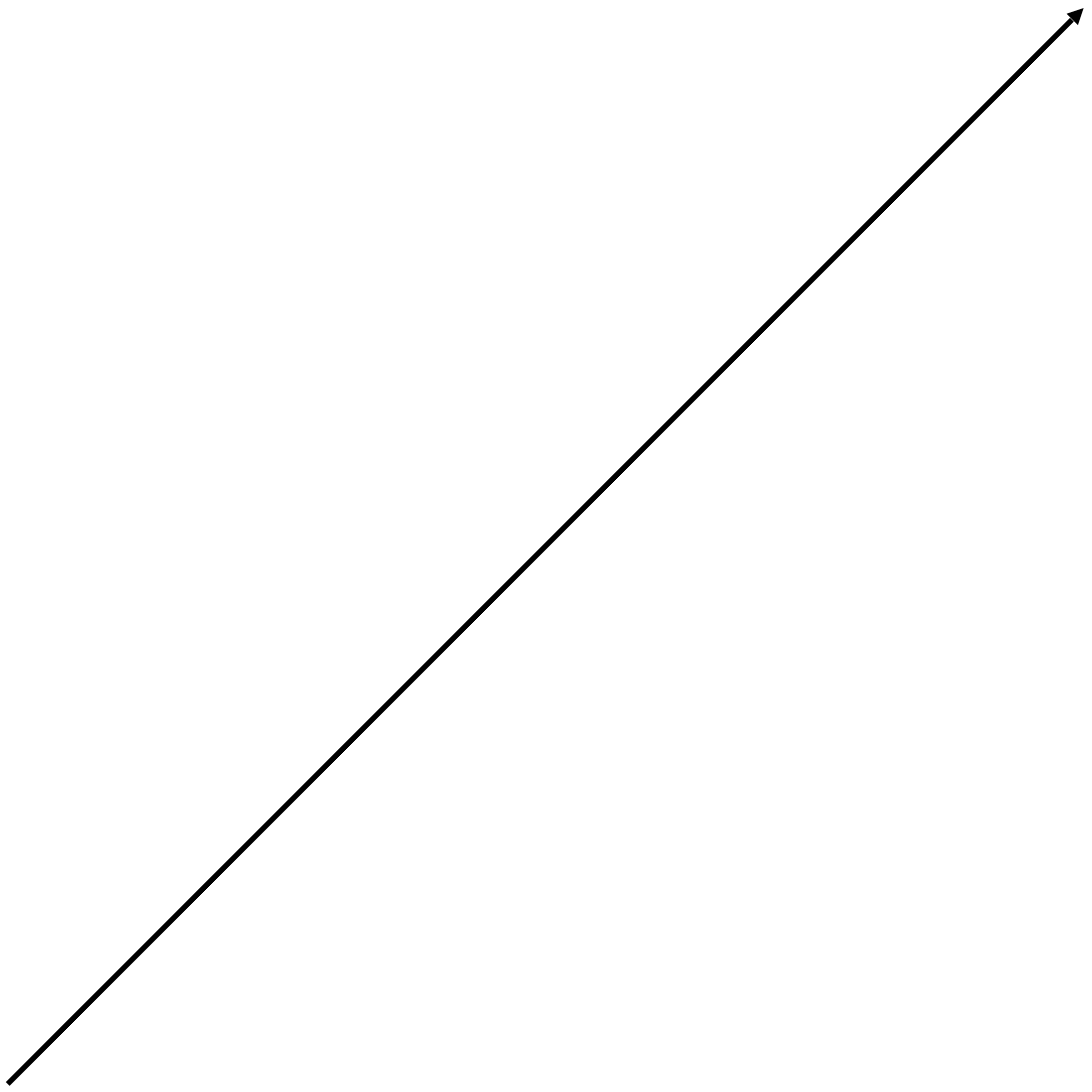

AE1

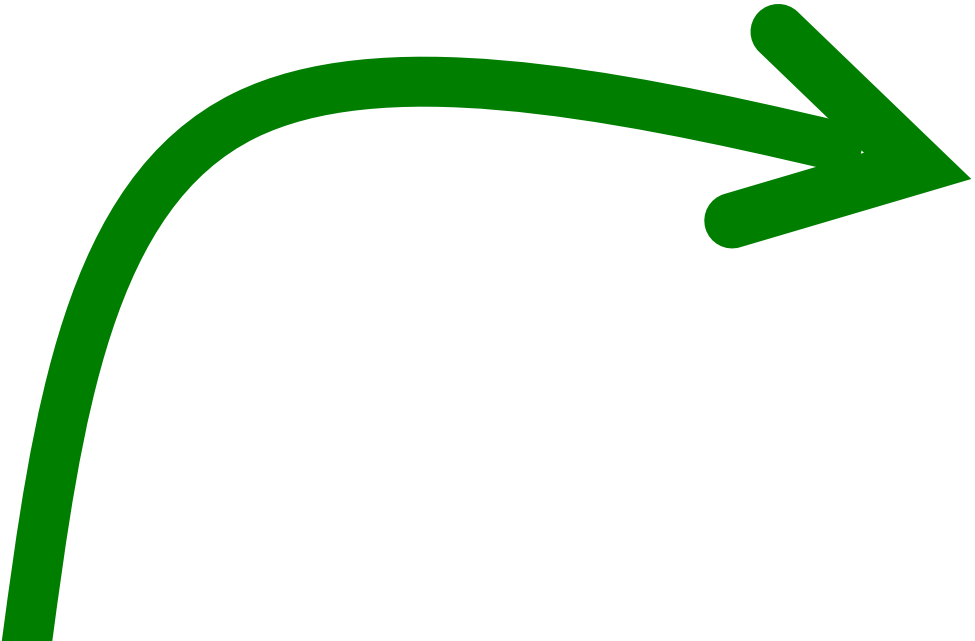
The Spending Multiplier


Y
0


$Y_1 = Y_0 + \Delta Y$



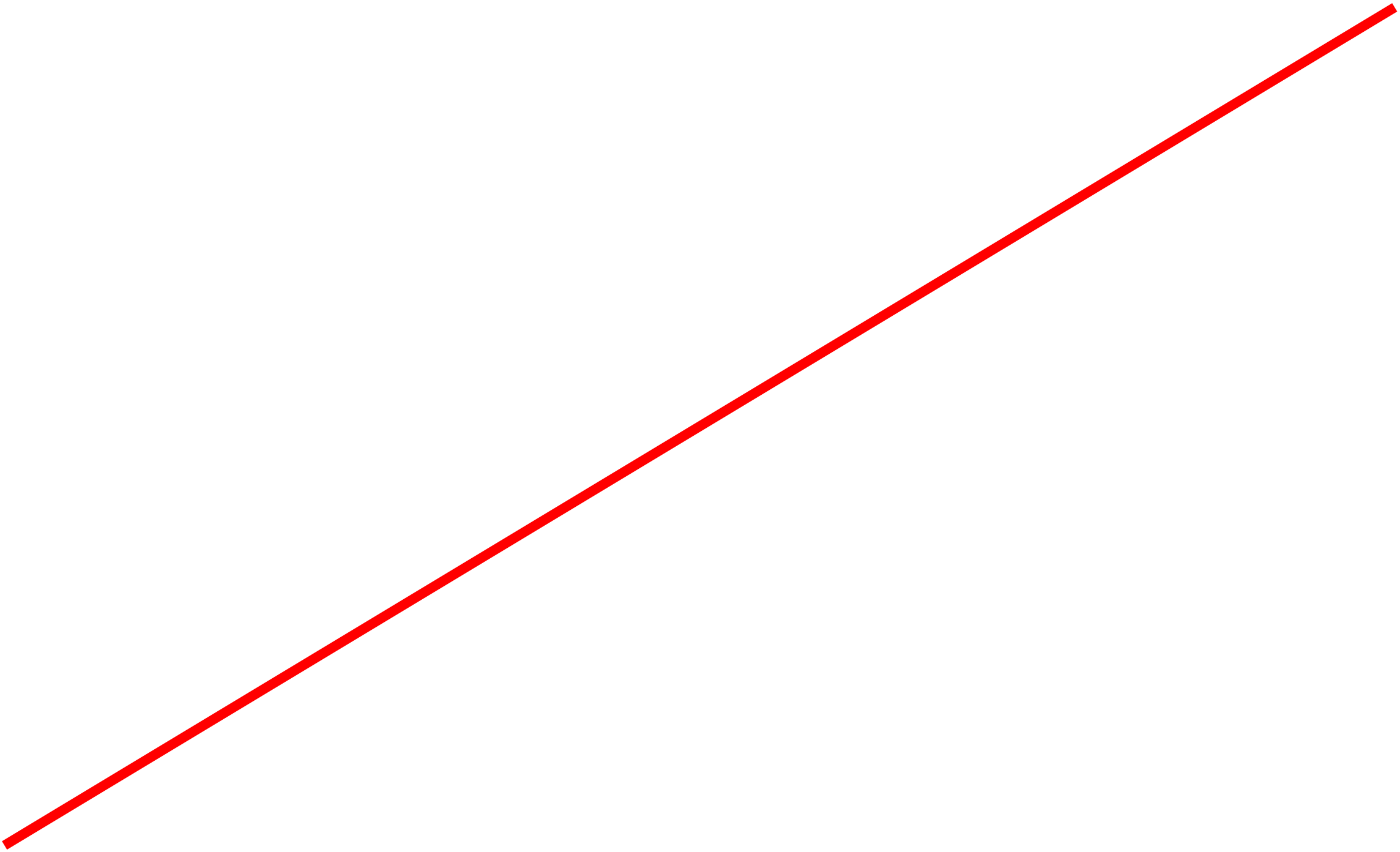




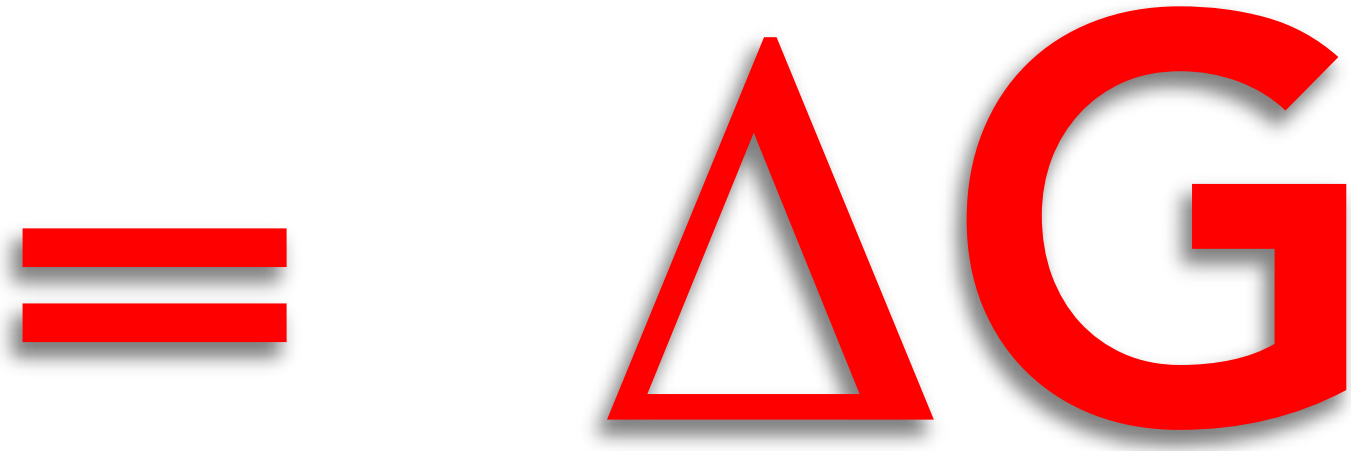
$$AE_0 = Y_0$$

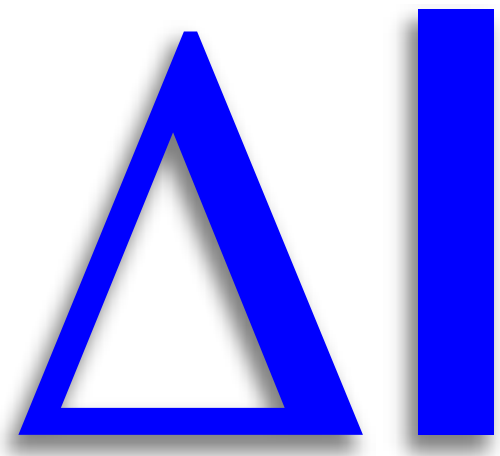
$AE_1 = Y_1$


ΔAE




ΔY

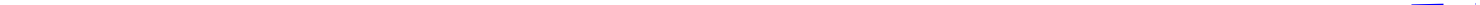




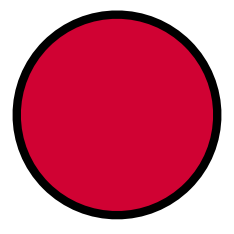

Δa

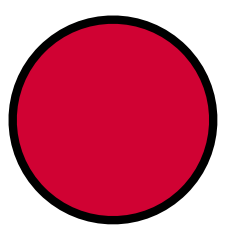

ANX


1
1 - MPC




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


Δa


ΔNX

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