



12,000

16,000

AE O



10,000



**REGARD**







18,000

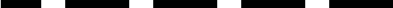
20,000



14,000









19,000

17,500

14,500

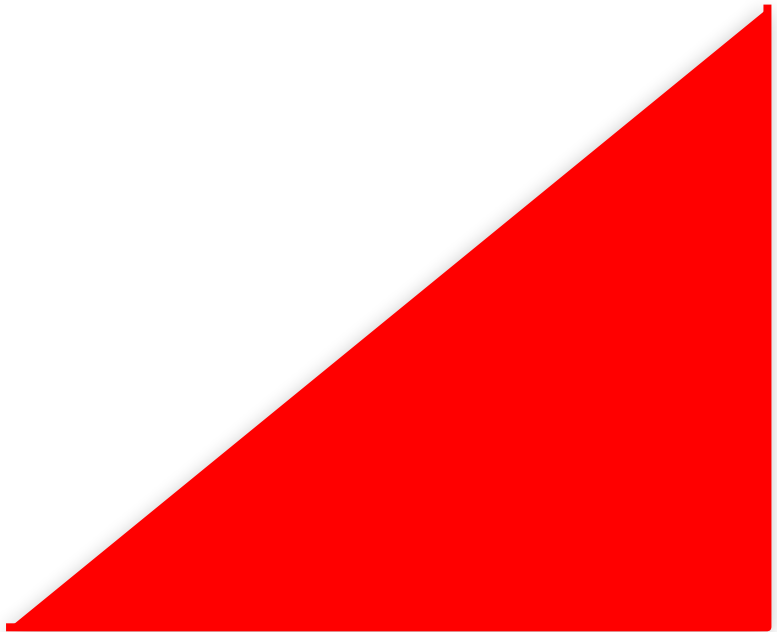


11,500





13,000



A

E









n



e





e



p





M

P



Y

# The Intercept



The slope?

A



MPC

$$\Delta Y = 4000$$




$$\Delta AE = 3000$$

**MPC** = **ANY**

**NPC**  $\equiv$  **3000/4000**

MPC = 0.75



A

E



A







7



5

Y



AE

=

Y

Y

Choose *any* point









13,000



12,000



3





O







A







7

5







2













3







0

O



A



9













3







O





9













A

4



O

O







A

A

E



4

















7

5

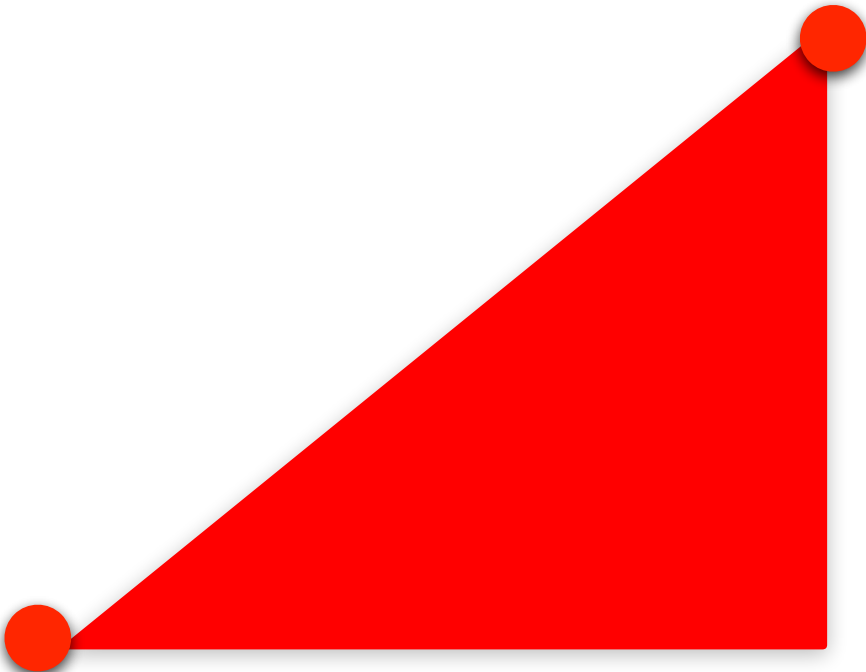
Y

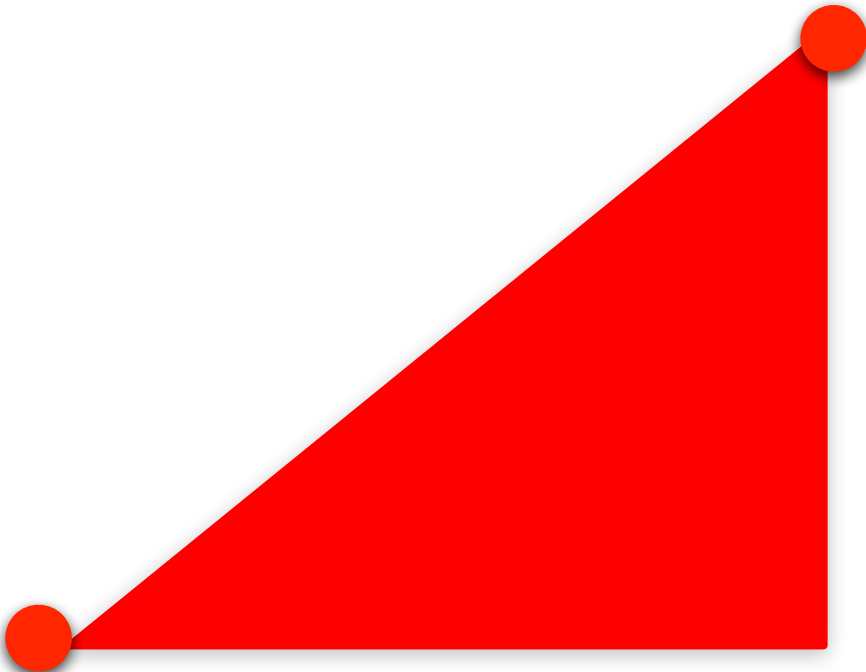
Choose *any* two points











$AE = \text{intercept} + \text{MPC}Y$

AE = A + 0.75Y

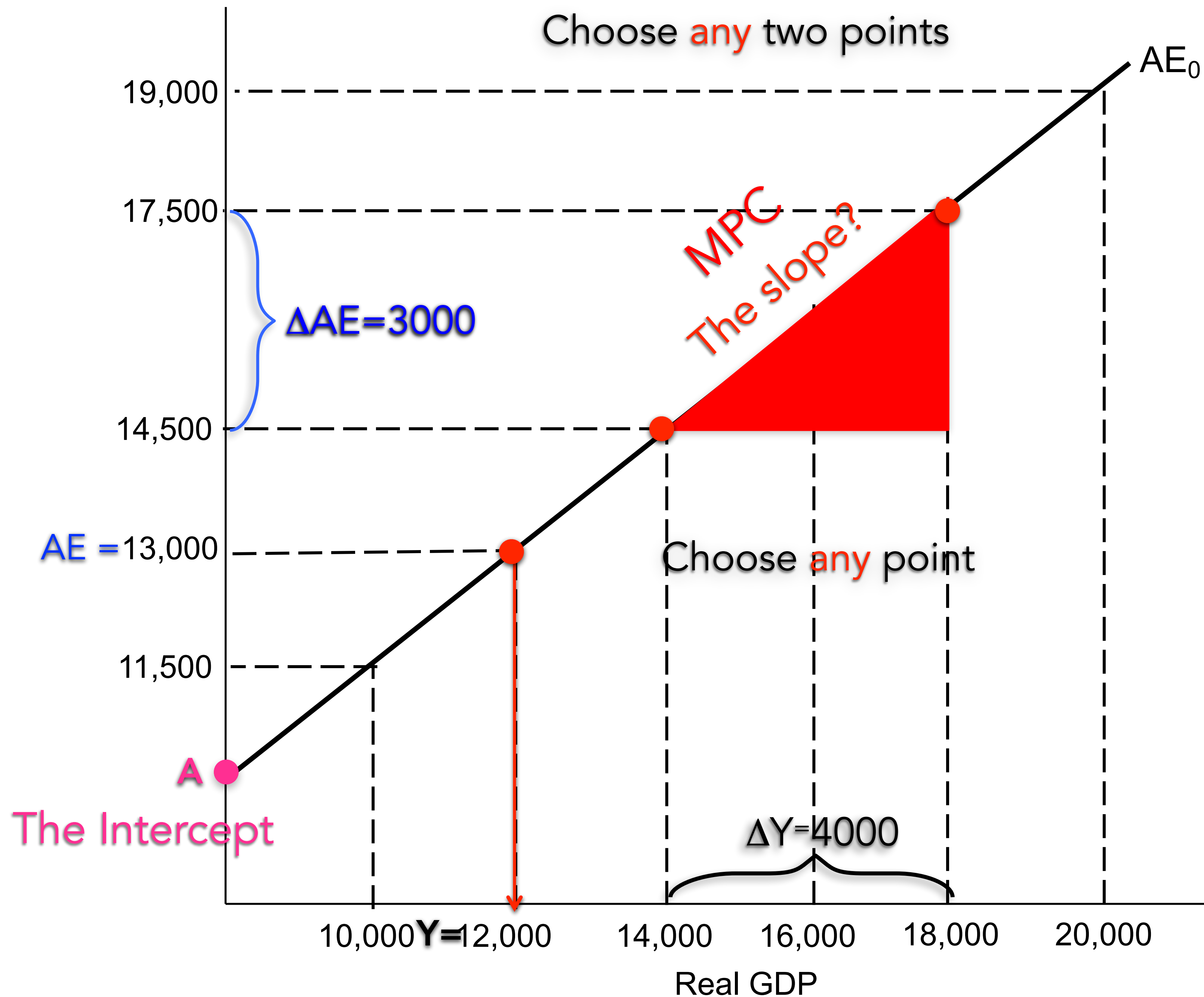
$$13,000 = A + 0.75(12,000)$$

$$13,000 = A + 9,000$$



13,000 - 9,000 = A

4,000 = A



$$AE = \text{intercept} + MPCY$$

$$MPC = \Delta AE / \Delta Y$$

$$MPC = 3000 / 4000$$

$$MPC = 0.75$$

$$AE = A + 0.75Y$$

$$13,000$$

$$12,000$$

$$13,000 = A + 0.75(12,000)$$

$$13,000 = A + 9,000$$

$$13,000 - 9,000 = A$$

$$4,000 = A$$

$$AE = 4,000 + 0.75Y$$

We will use the following values for this example:

$$C = 100 + 0.9Y$$

$$I = 1,000 \text{ billion}$$

$$G = 500 \text{ billion}$$

$$X = 900 \text{ billion}$$

$$M = 600 \text{ billion}$$

$$NX = 900 - 600 = 300$$