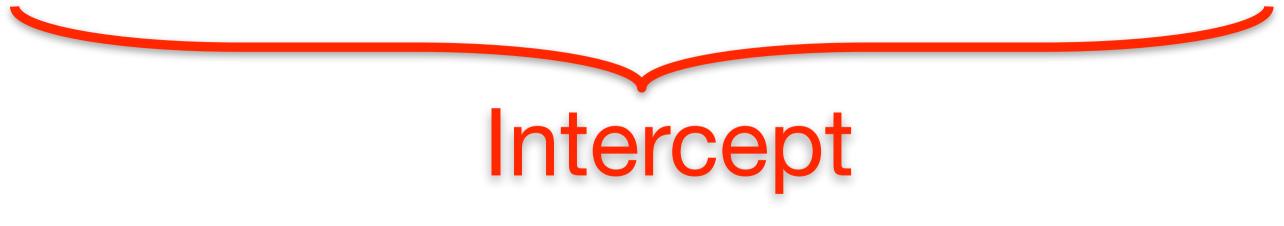
AE = a - MPCTx + MPCTr + I + G + NX + MPCY

## AE = a - MPCTx + MPCTr + MPCY + I + G + NX







# AE shifts with changes in:

Interest Rates Technical Change **Business Expectations** Political Stability Tax Incentives



# **Exports**

GDP Abroad
Exchange Rate

Relative Prices (U.S. / Abroad

## U.S. GDP **Imports** (U.S. / Abroad

Exchange Rate

Relative Prices

#### Wealthier Wealth (stock prices, consumers existing home prices) buy more

#### Optimistic Consumer expectations consumers (optimistic/pessimistic) buy more

#### Higher prices Prices (CPI). reduce real wealth

#### Higher Taxes/ **Lower Transfers** Taxes and Transfers decrease Consumption

## Government Spending

AE = a - MPCTx + MPCTr + I + G + NX + MPCYInterest Rates Intercept Technical Change **Business Expectations** Investment AE shifts with changes in: Political Stability Wealthier Tax Incentives Wealth (stock prices, consumers existing home prices) buy more GDP Abroad Optimistic Consumer expectations Exchange Rate **Exports** consumers (optimistic/pessimistic) Relative Prices buy more (U.S. / Abroad Higher prices Prices (CPI reduce real

wealth
Taxes and Transfers

Tower Transfers
decrease
Consumption

Government Spending

Imports

U.S. GDP Exchange Rate Relative Prices (U.S. / Abroad

### Aggregate Expenditures

