



45

AEo

AE1

The Spending Multiplier

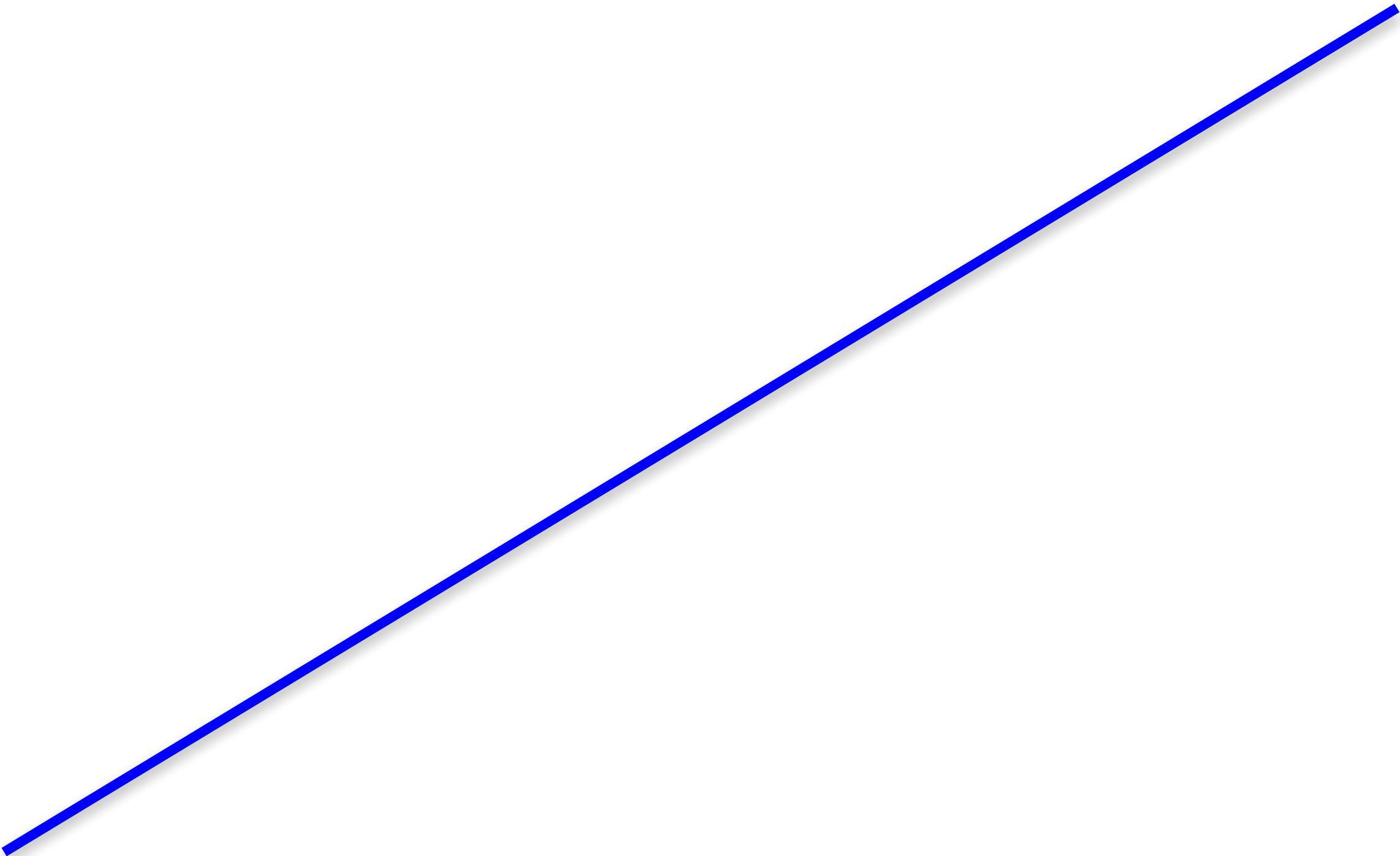


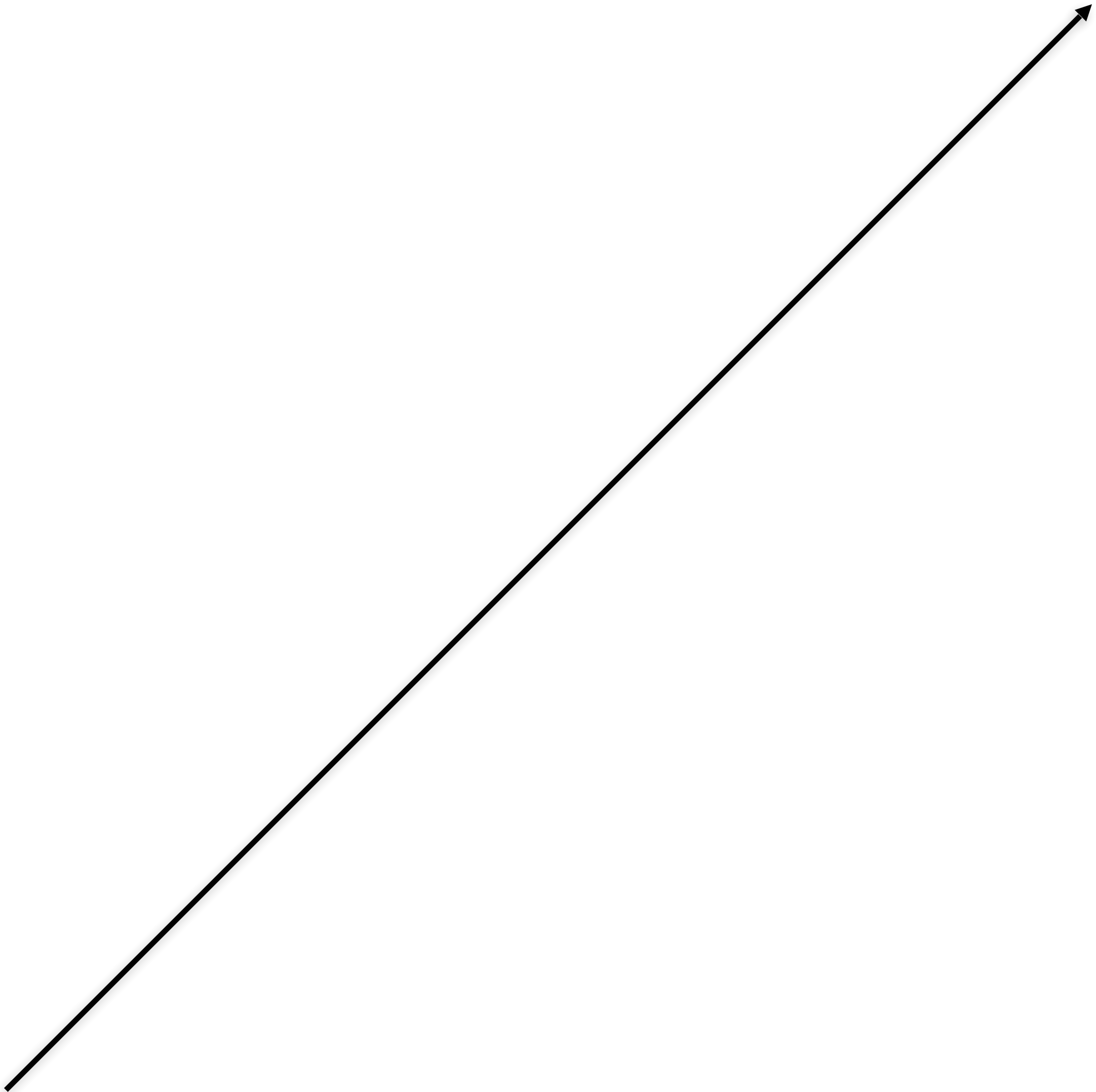
YO

$$Y_1 = Y_0 + \Delta Y$$

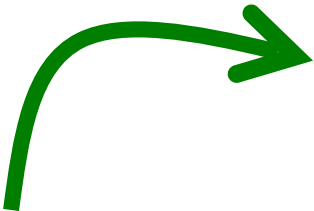












$AE_0 \equiv Y_0$

$$AE_1 = Y_1$$

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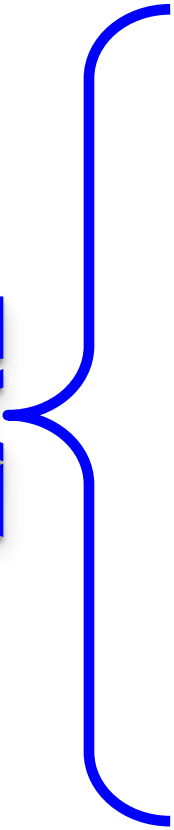
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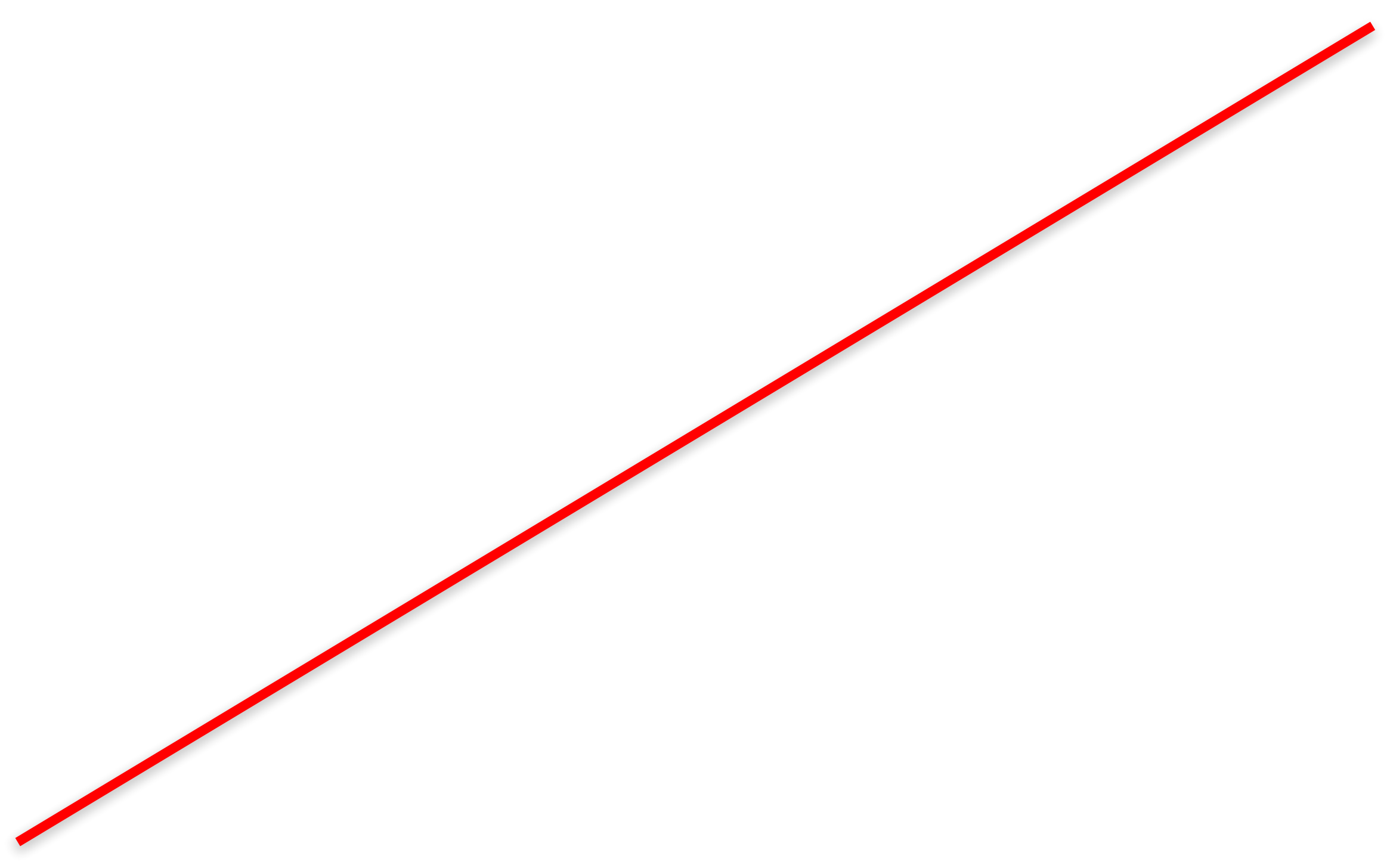
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ΔAE



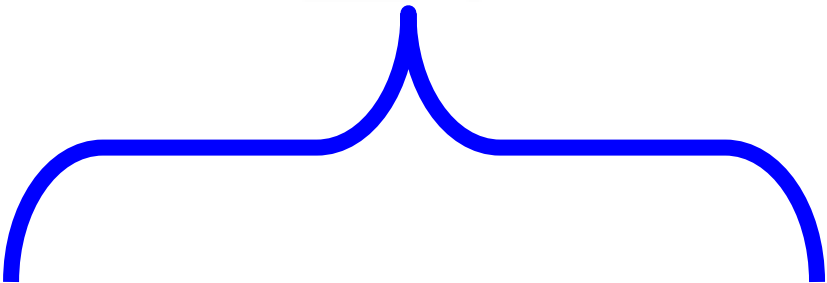








$\Delta Y$



**= ΔG**



$\Delta a$

**ΔNX**



$$\left( \frac{1}{1 - \text{MPC}} \right)$$





$\Delta G$







**A**

















6

S























**n**









6

S









S

2

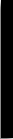
**m**



**m**



U































An increase in  
consumption has  
the same  
multiplier effect



An increase in net  
exports has the same  
multiplier effect



$\Delta a$



$\Delta$ ANXI

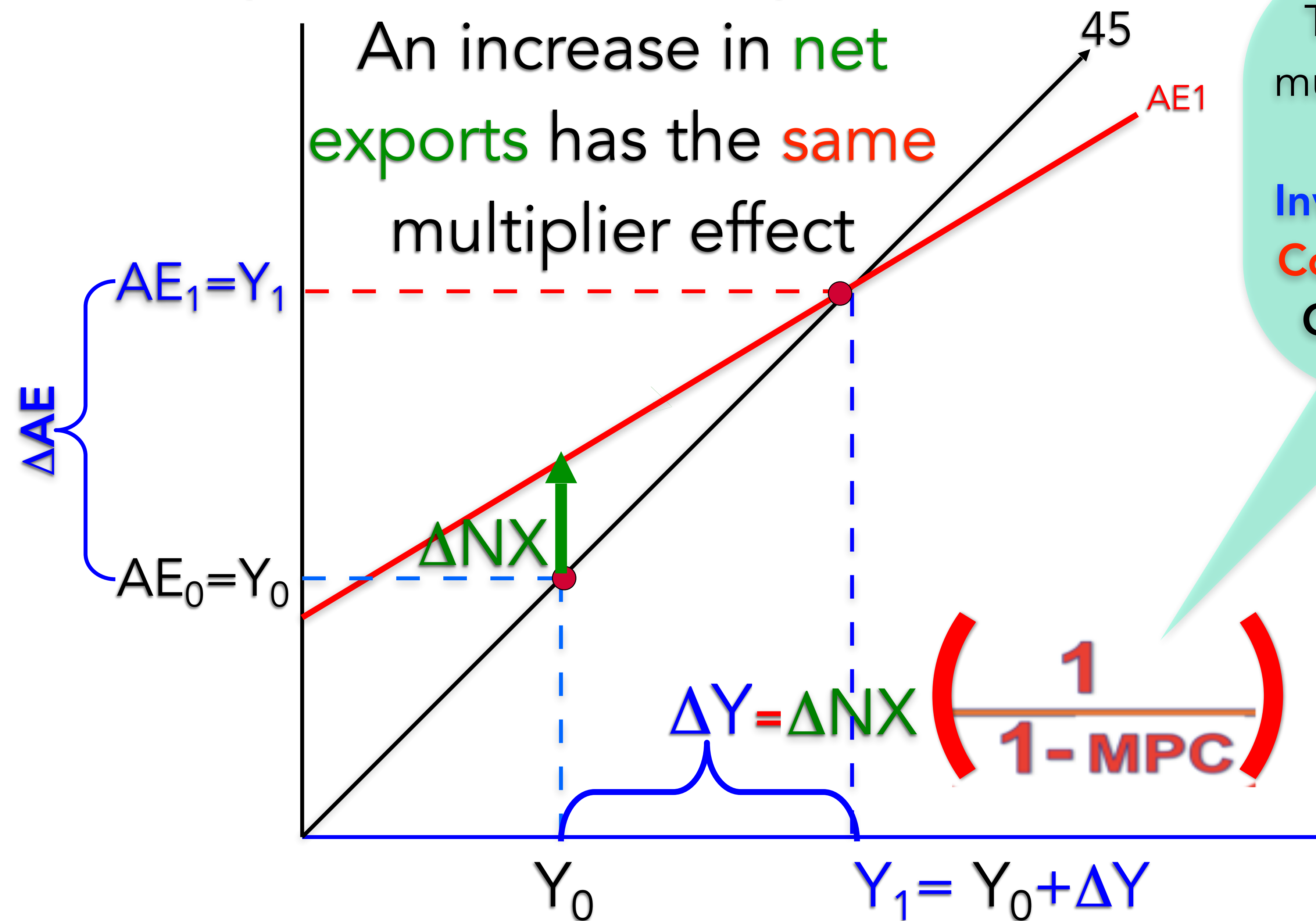


This is the “**spending**” multiplier. It multiplies **any** type of spending:

**Investment**, **Autonomous Consumption**, **Exports** or **Government spending**

An increase in  
Investment has  
the same  
multiplier effect

# The Spending Multiplier



This is the “**spending**” multiplier. It multiplies **any** type of spending: **Investment**, **Autonomous Consumption**, **Exports** or **Government spending**

# The Multiplier Process