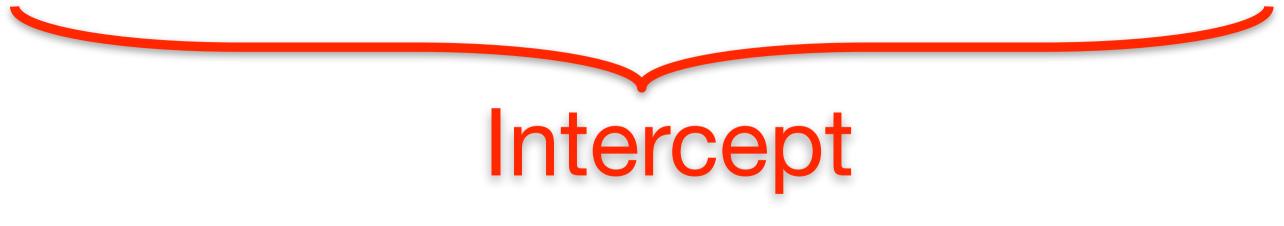
AE = a - MPCTx + MPCTr + I + G + NX + MPCY

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

> Higher Taxes/ wealth

Lower Transfers Taxes and Transfers decrease

Consumption

Imports

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

Government Spending

Aggregate Expenditures

