$$AE = a - MPC T_x + MPC T_r + I + G + NX + MPC Y$$

$$AE = \underbrace{a - MPC T_x + MPC T_r + MPC Y}_{C} + I + G + NX$$

Intercept


Slope

AE shifts with changes in:

Interest Rates
Technical Change
Business Expectations
Political Stability
Tax Incentives

Investment 

Exports

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

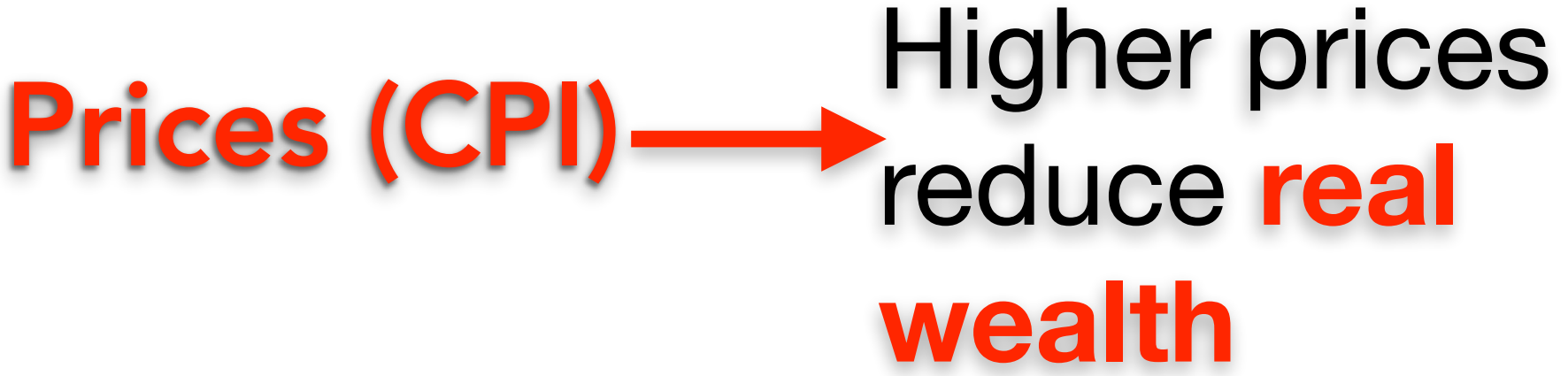
Imports

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

Wealth (stock prices, existing home prices)

Wealthier consumers buy more

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


Prices (CPI)
Higher prices reduce real wealth

Taxes and Transfers → Higher Taxes/ Lower Transfers decrease Consumption

Government Spending

$$AE = a - MPC T_x + MPC T_r + I + G + NX + MPC Y$$

Intercept

AE shifts with changes in:

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

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

Prices (CPI) → Higher prices reduce **real wealth**

Taxes and Transfers → Higher Taxes/ Lower Transfers decrease Consumption

Government Spending

Investment → Interest Rates
Technical Change
Business Expectations
Political Stability
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Exports → GDP Abroad
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Aggregate Expenditures