

To simplify, we will *assume* that **Imports (M)** do NOT depend on **Income** although imports do depend on Income

The Components of Aggregate Expenditures

Consumer spending depends on National Income(Y):

C = Intercept + **MPCY**

Government (G) spending does NOT depend on Income. It changes with Government policy

G, I and X = Values which
do not change with Income

Investment (I) spending does NOT depend on **Income**. It changes with business' plans for plant expansion and consumers' plans for buying new homes

Tx and M = Values

which do not change
with Income

Exports (X) do NOT depend on U.S.

Income exports depend on incomes abroad

To simplify, we will *assume* that **Taxes** do
NOT depend on **Income** although **Income**
Taxes do depend on **Income**



Spending
Injections

Savings depend on National Income(Y):

$$S = -\text{Intercept} + \text{MPS}Y$$



Spending
Leakages

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To simplify, we will assume that **Taxes** do NOT depend on **Income** although **Income Taxes** do depend on Income

Spending
Leakages

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If