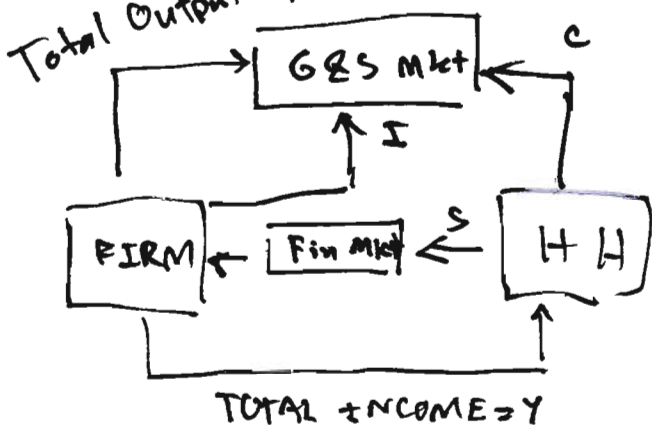
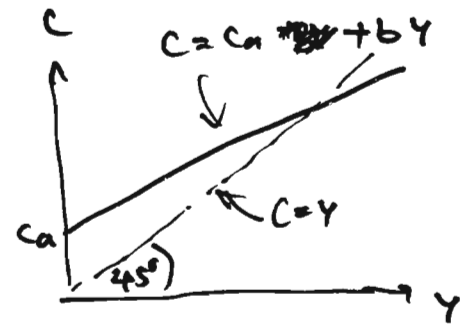


CASE I: Simple Economy



**[C] :  $C = C_a + bY$**

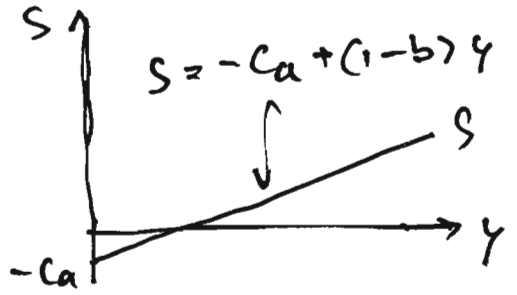
Slope :  $b \rightarrow$  Marginal Propensity to Consume  
 Intercept :  $C_a \rightarrow$  Minimum Consumption



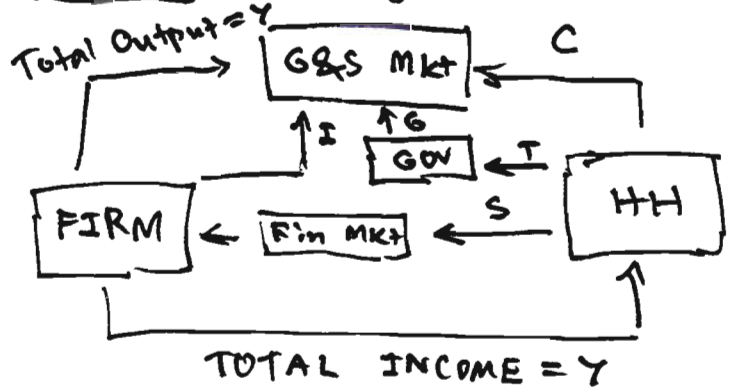
Factors Affecting C

$Y \Rightarrow$  Move along the curve

- ① Minimum Consumption
  - ② Consumption loan
  - ③ Population
  - ④ Consumer taste
- } Shift the curve



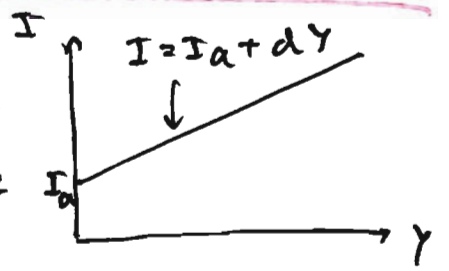
CASE II: Adding Govt. (closed Economy)



Since  $C + S = Y \Rightarrow C_a + bY + S = Y \Rightarrow S = -C_a + (1-b)Y$   
 $Y = C + S \Rightarrow \Delta Y = \Delta C + \Delta S$  ; So,  $\frac{\Delta Y}{\Delta Y} = \frac{\Delta C}{\Delta Y} + \frac{\Delta S}{\Delta Y} = 1 = MPC + MPS$

**[I] :  $I = I_a + dY$**

Slope :  $d \Rightarrow$  Marginal Propensity to Invest  
 Intercept :  $I_a \rightarrow$  Autonomous Expenditure

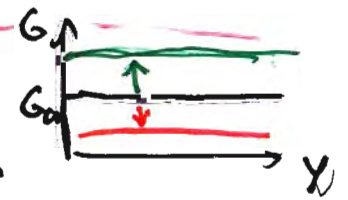


Factors Affecting I

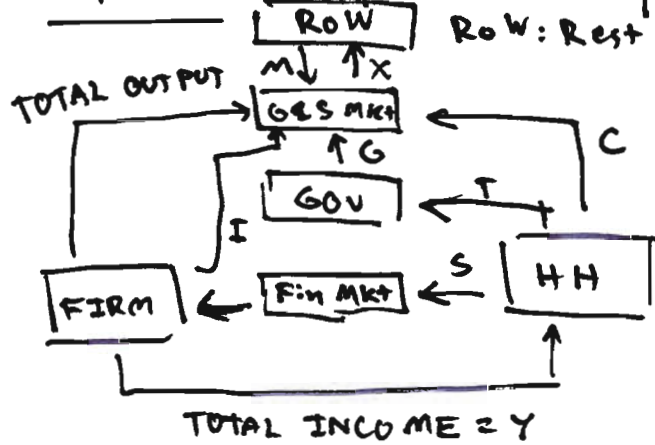
$Y \Rightarrow$  Move along the curve

- Shift the curve :
- ① Tech Improvement
  - ② Population
  - ③ Interest rate
- } Affect  $I_a$

**[G] :** Does not depend on  $Y$   
 Only depend on policies  $\rightarrow$  Fiscal Expansion  
 $\rightarrow$  Fiscal Contraction



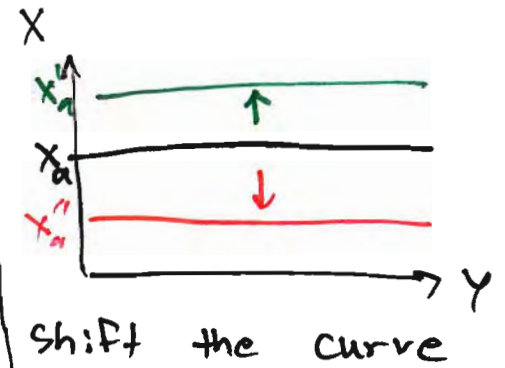
CASE II: Open Economy



$X$ : Does not depend on  $Y$

Factors Affecting Export

- Govt's export policies
- Political and economic stability
- Price of export (compared to those of other countries)

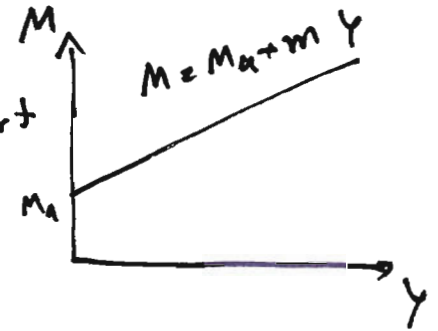


Shift the curve

$M = M_a + mY$

Slope:  $m \rightarrow$  Marginal Propensity to Import (MPM)

Intercept:  $M_a \rightarrow$  Minimum import



Factors Affecting M

$Y$  (Total Income)  $\Rightarrow$  Move along the curve

- Consumer loan
- Price of import
- Consumer taste
- Exchange rate expectation

Shift the curve  
( $M_a$  will change)

DAE : Desired Aggregate Expenditure

$$\begin{aligned}
 DAE &= C + I + G + X - M \\
 &= (\underline{C_a} + \underline{bY}) + (\underline{I_a} + \underline{dY}) + \underline{G_a} + \underline{X_a} - (\underline{M_a} + \underline{mY}) \\
 &= (C_a + I_a + G_a + X_a - M_a) + (b + d - m)Y
 \end{aligned}$$

