

## CONCEPT: AGGREGATE EXPENDITURES MODEL IN A PRIVATE OPEN ECONOMY

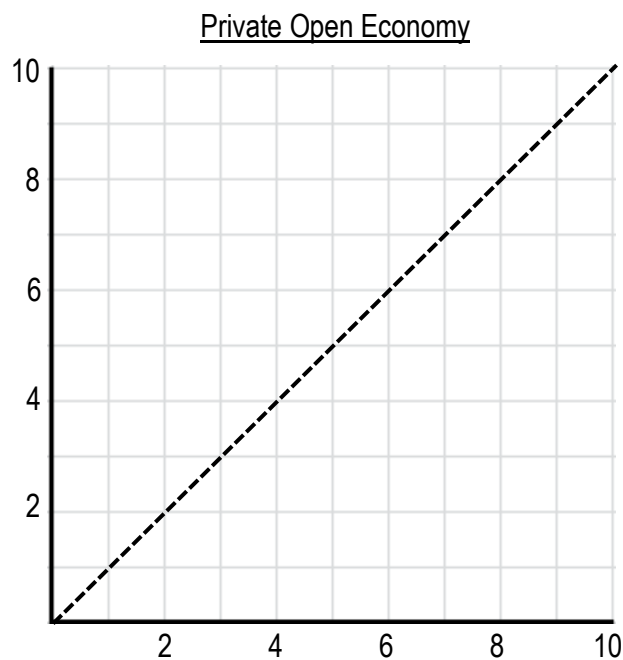
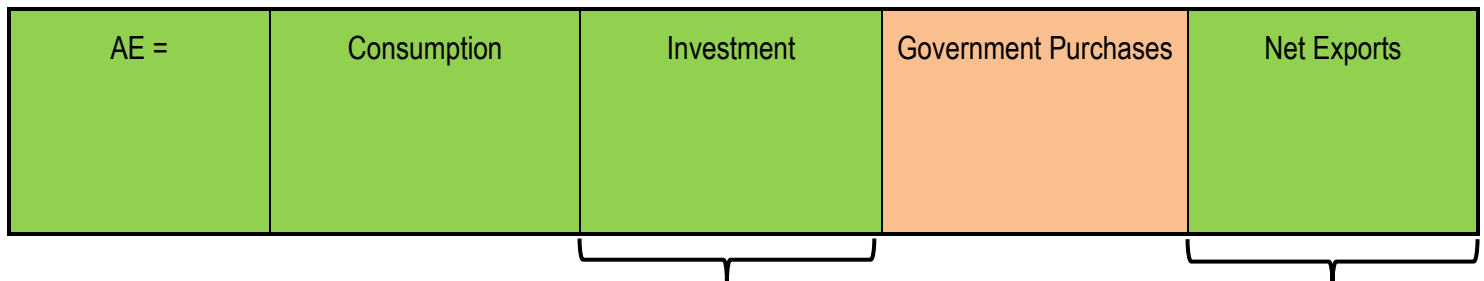
• The **aggregate expenditures model** describes the relationship between \_\_\_\_\_ and \_\_\_\_\_

□ A **private open economy** is a country that \_\_\_\_\_ have government

□ In the AE model, think like this:

> AE = \_\_\_\_\_

> GDP = \_\_\_\_\_



	Amount (in billions)
Consumption	$2 + 0.5Y$
Investment	1
Net Exports	0.5
$C + I$	
$C + I + NX$	

□ Macroeconomic Equilibrium occurs where the AE ( $C + I + NX$ ) line crosses the \_\_\_\_\_