CONCEPT: AGGREGATE EXPENDITURES MODEL AND MACROECONOMIC EQUILIBRIUM

 Aggregate e 	epresent the total	in an economy	/				
↓ □ The	☐ The aggregate expenditures model describes the relationship between and						
	> Key Assumption						
> Key Idea: In any particular year, the level of is determined by the level of aggregate ex						aggregate expenditure	
to determined by the level of aggregate experientals							
		GD	P = C + I + G +	NX			
$AE = \underline{\hspace{1cm}}$							
Macroeconomic Equilibrium occurs when							
☐ In the AE model, think like this:							
> AE =							
> GDP =							
AE =	Consu	mption	Investment	Government F	Purchases	Net Exports	
γ							
				Ţ			
EVANDLE E				,			
EXAMPLE: Fir	d macroeconomic e	equilibrium using t	he information in the	e following table:			
EXAMPLE: Fin	d macroeconomic e	equilibrium using t	he information in the	e following table: Net Exports	Aggregat		
				-	Aggregat Expenditu (AE)	·	
Real GDP (Y) \$16,000	Consumption (C) \$12,400	Investment (I) \$3,500	Government Purchases (G) \$3,200	Net Exports (NX) - \$1,000	Expenditu	ure Changes in	
Real GDP (Y) \$16,000 \$18,000	Consumption (C) \$12,400 \$13,700	Investment (I) \$3,500 \$3,500	Government Purchases (G) \$3,200 \$3,200	Net Exports (NX) - \$1,000 - \$1,000	Expenditu	ure Changes in	
Real GDP (Y) \$16,000 \$18,000 \$20,000	Consumption (C) \$12,400 \$13,700 \$15,000	Investment (I) \$3,500 \$3,500 \$3,500	Government Purchases (G) \$3,200 \$3,200 \$3,200	Net Exports (NX) - \$1,000 - \$1,000	Expenditu	ure Changes in	
Real GDP (Y) \$16,000 \$18,000 \$20,000 \$22,000	Consumption (C) \$12,400 \$13,700 \$15,000 \$16,300	\$3,500 \$3,500 \$3,500 \$3,500 \$3,500	Government Purchases (G) \$3,200 \$3,200 \$3,200 \$3,200	Net Exports (NX) - \$1,000 - \$1,000 - \$1,000	Expenditu	ure Changes in	
Real GDP (Y) \$16,000 \$18,000 \$20,000	Consumption (C) \$12,400 \$13,700 \$15,000	Investment (I) \$3,500 \$3,500 \$3,500	Government Purchases (G) \$3,200 \$3,200 \$3,200	Net Exports (NX) - \$1,000 - \$1,000	Expenditu	ure Changes in	
Real GDP (Y) \$16,000 \$18,000 \$20,000 \$22,000 \$24,000	Consumption (C) \$12,400 \$13,700 \$15,000 \$16,300 \$17,600	\$3,500 \$3,500 \$3,500 \$3,500 \$3,500 \$3,500	Government Purchases (G) \$3,200 \$3,200 \$3,200 \$3,200 \$3,200 \$3,200	Net Exports (NX) - \$1,000 - \$1,000 - \$1,000 - \$1,000	Expenditu (AE)	Inventories	
Real GDP (Y) \$16,000 \$18,000 \$20,000 \$22,000 \$24,000	Consumption (C) \$12,400 \$13,700 \$15,000 \$16,300 \$17,600	Investment (I) \$3,500 \$3,500 \$3,500 \$3,500 \$3,500 \$3,500	Government Purchases (G) \$3,200 \$3,200 \$3,200 \$3,200 \$3,200 \$4,200 \$4,200 \$5,200	Net Exports (NX) - \$1,000 - \$1,000 - \$1,000 - \$1,000	Expenditu (AE)	Inventories	
Real GDP (Y) \$16,000 \$18,000 \$20,000 \$22,000 \$24,000	Consumption (C) \$12,400 \$13,700 \$15,000 \$16,300 \$17,600 E = GDP → Invento - Everything produ	Investment (I) \$3,500 \$3,500 \$3,500 \$3,500 \$3,500 \$3,500	Government Purchases (G) \$3,200 \$3,200 \$3,200 \$3,200 \$3,200 \$3,200 \$4,200 \$4,200 \$5,200 \$5,200	Net Exports (NX) - \$1,000 - \$1,000 - \$1,000 - \$1,000 - \$1,000 nomy is	Expenditu (AE)	Inventories	
Real GDP (Y) \$16,000 \$18,000 \$20,000 \$22,000 \$24,000	Consumption (C) \$12,400 \$13,700 \$15,000 \$16,300 \$17,600	Investment (I) \$3,500 \$3,500 \$3,500 \$3,500 \$3,500 \$3,500	Government Purchases (G) \$3,200 \$3,200 \$3,200 \$3,200 \$3,200 \$3,200 \$4,200 \$4,200 \$5,200 \$5,200	Net Exports (NX) - \$1,000 - \$1,000 - \$1,000 - \$1,000 - \$1,000 nomy is	Expenditu (AE)	Inventories	
Real GDP (Y) \$16,000 \$18,000 \$20,000 \$22,000 \$24,000	Consumption (C) \$12,400 \$13,700 \$15,000 \$16,300 \$17,600 E = GDP → Invento - Everything produ	Investment (I) \$3,500 \$3,500 \$3,500 \$3,500 \$3,500 ries aced is purchased ries	Government Purchases (G) \$3,200 \$3,200 \$3,200 \$3,200 \$3,200 → the eco	Net Exports (NX) - \$1,000 - \$1,000 - \$1,000 - \$1,000 - \$1,000 nomy is	Expenditu (AE)	Inventories	
Real GDP (Y) \$16,000 \$18,000 \$20,000 \$22,000 \$24,000	Consumption (C) \$12,400 \$13,700 \$15,000 \$16,300 \$17,600 E = GDP → Invento - Everything produ E < GDP → Invento	Investment (I) \$3,500 \$3,500 \$3,500 \$3,500 \$3,500 ries ced is purchased riesthan	Government Purchases (G) \$3,200 \$3,200 \$3,200 \$3,200 \$3,200 → the eco	Net Exports (NX) - \$1,000 - \$1,000 - \$1,000 - \$1,000 - \$1,000 nomy is	Expenditu (AE)	Inventories	