Figure 1

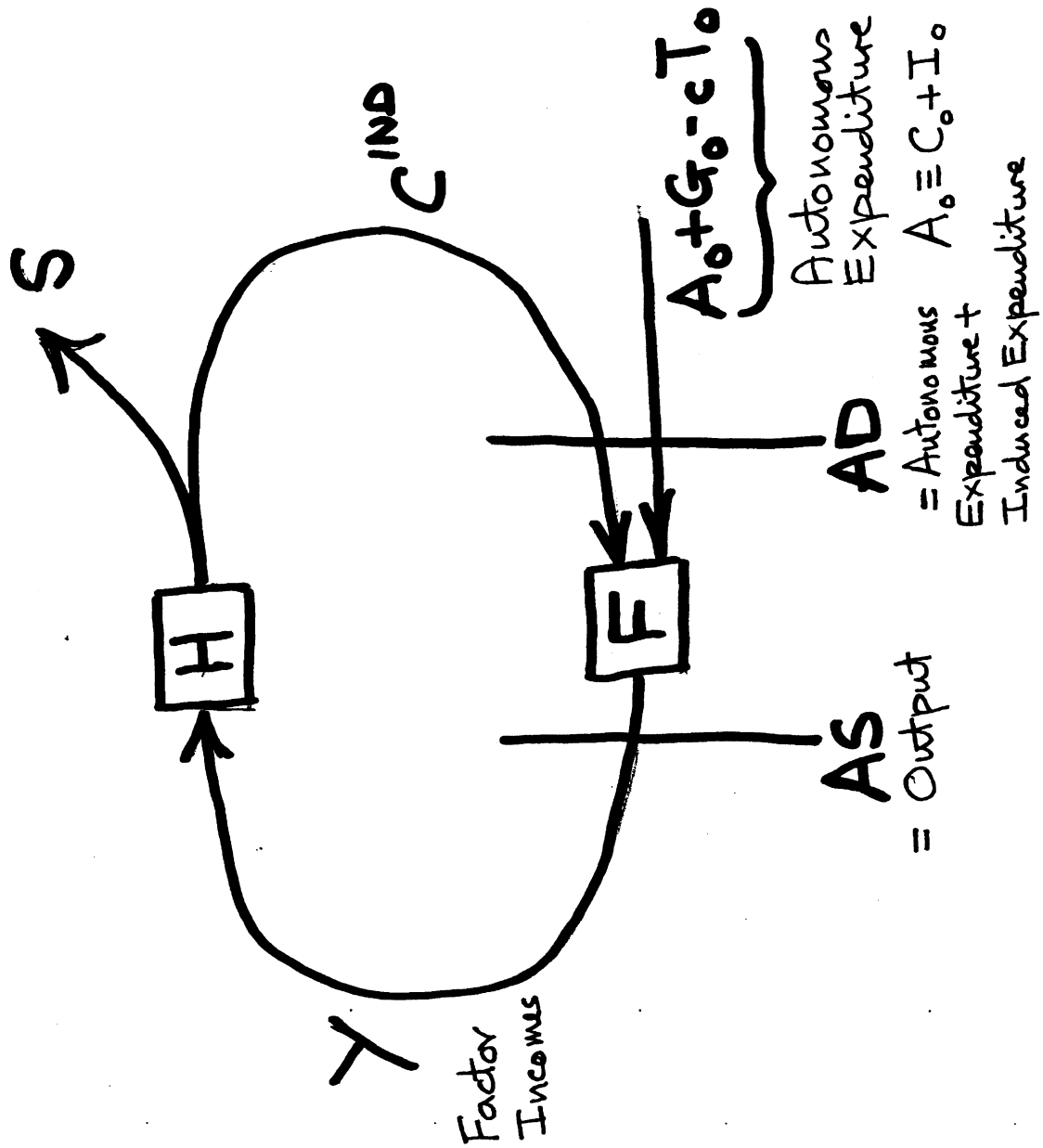

S
H
Y
Factor Incomes
$C^{IND}$
F
$A_0+G_0-cT_0$
Autonomous Expenditure
AD
= Autonomous Expenditure + Induced Expenditure
$A_0 \equiv C_0+I_0$
AS
= Output

Figure 2

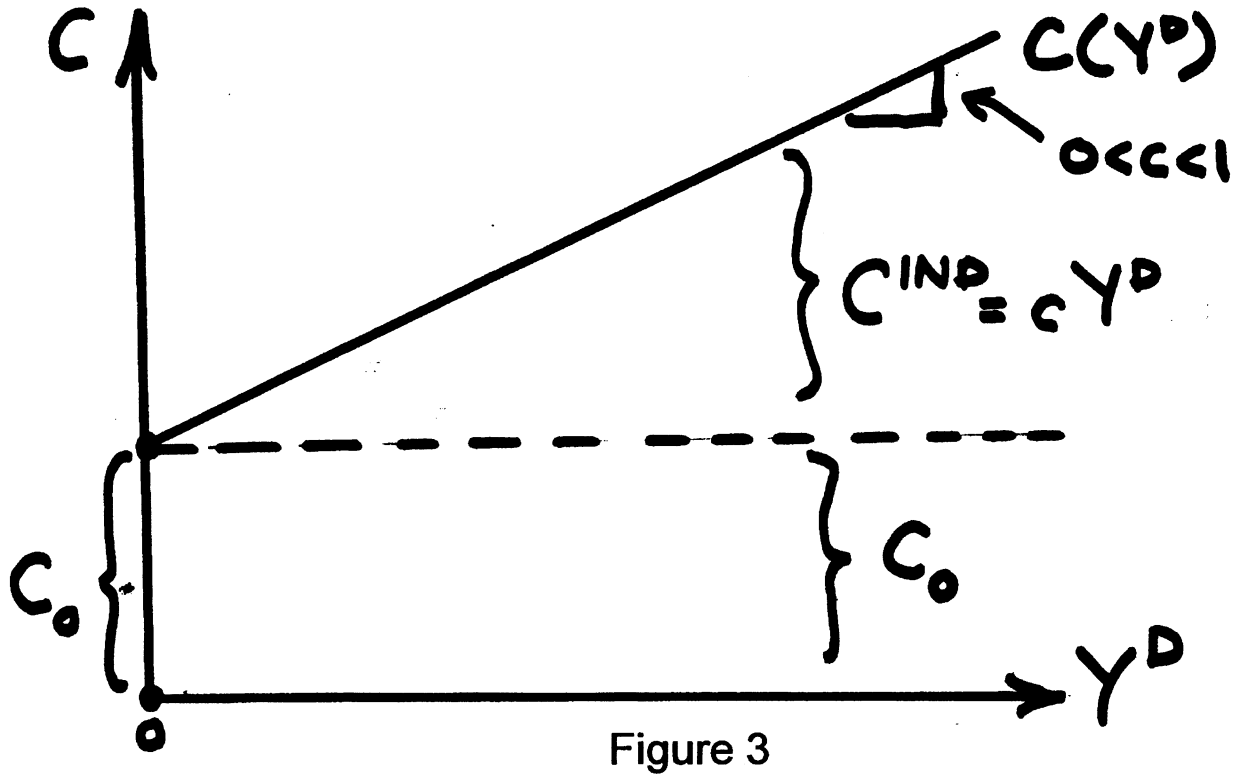



Figure 3

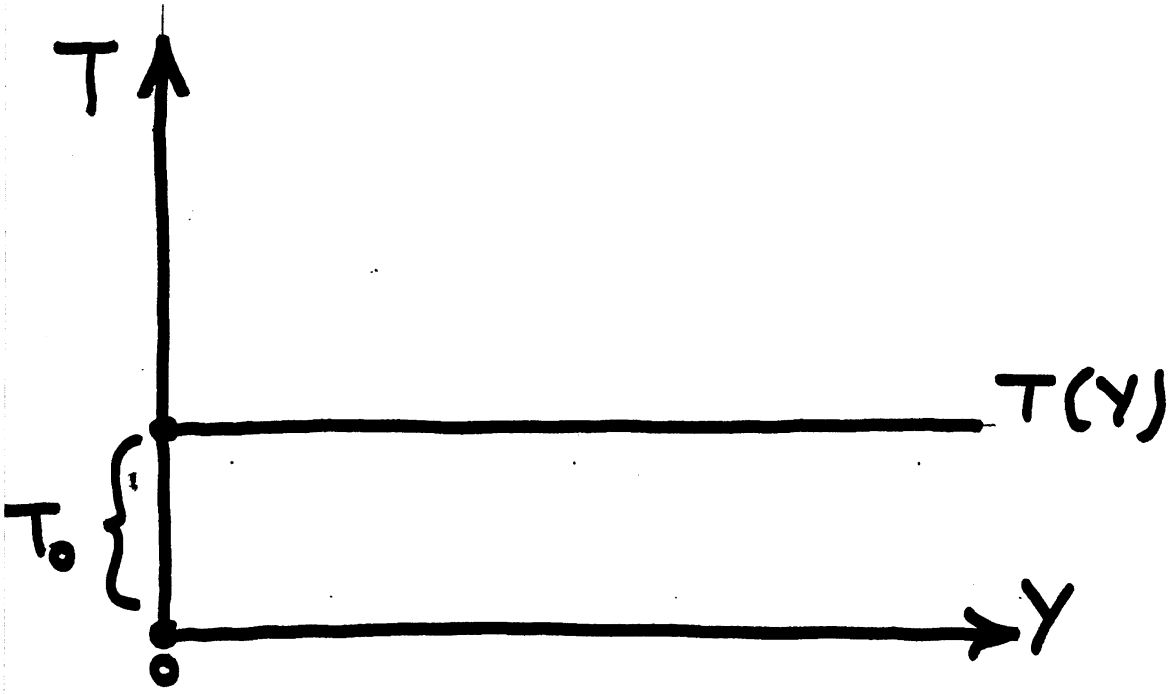


Figure 4

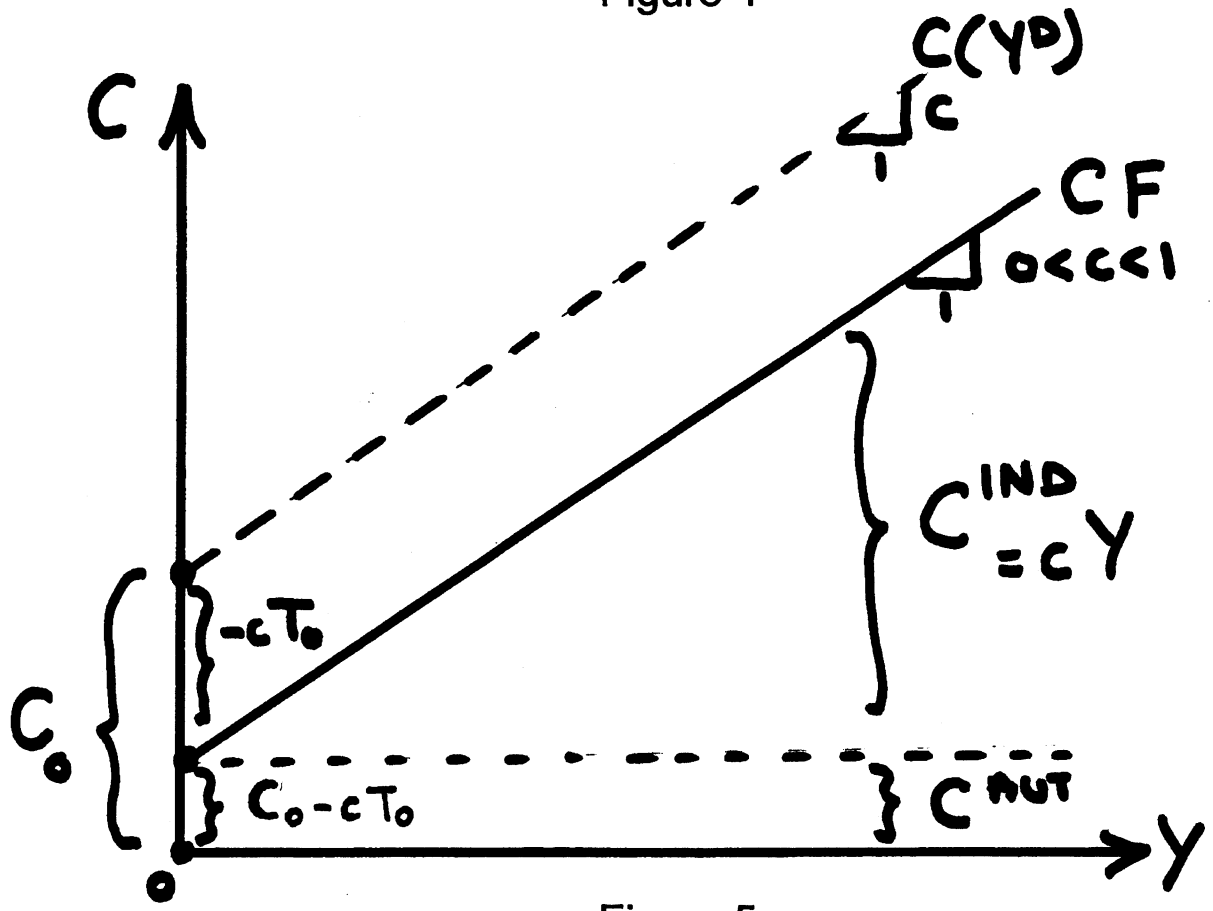



Figure 5

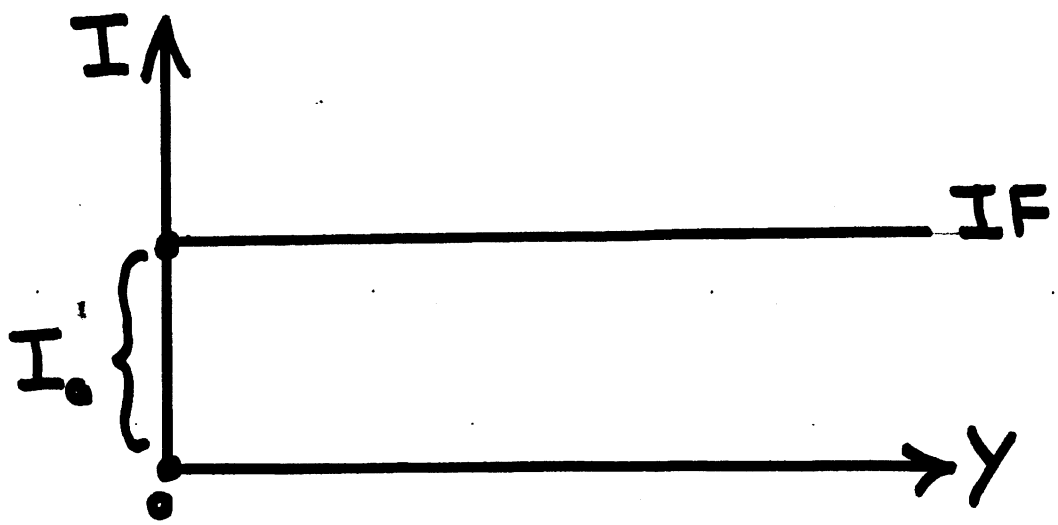


Figure 6

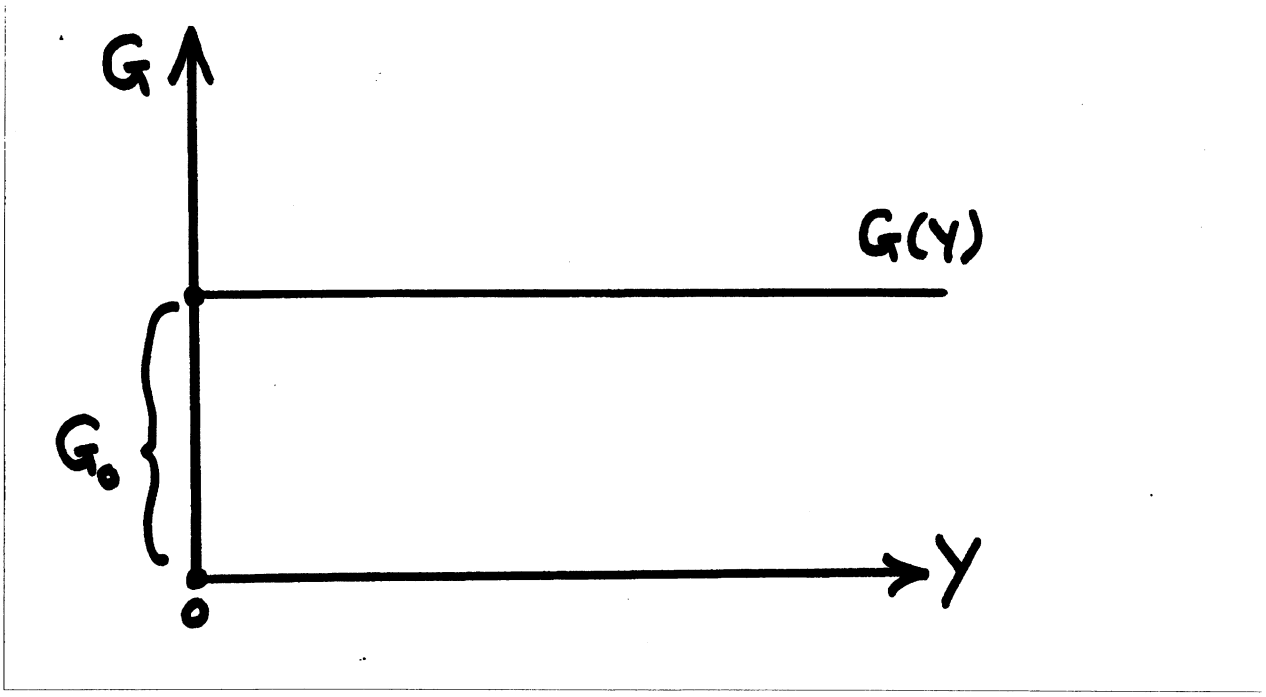
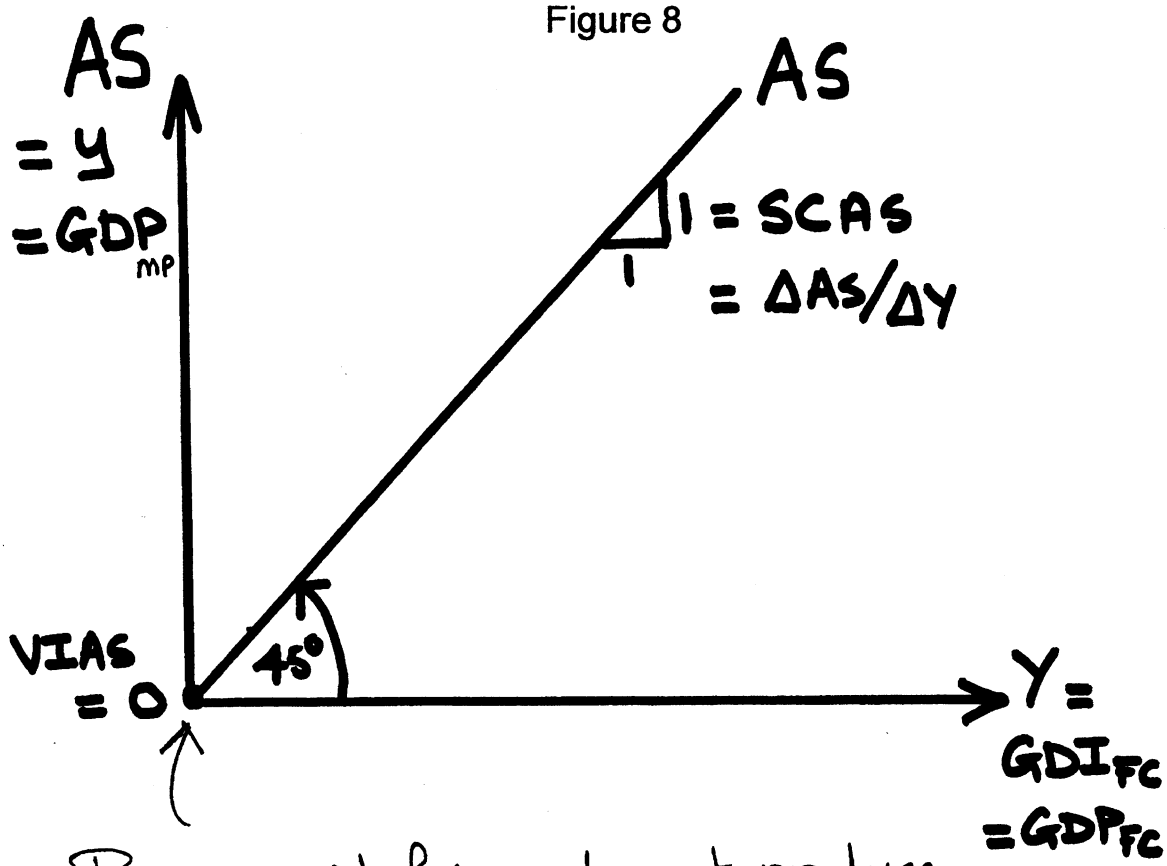


Figure 8

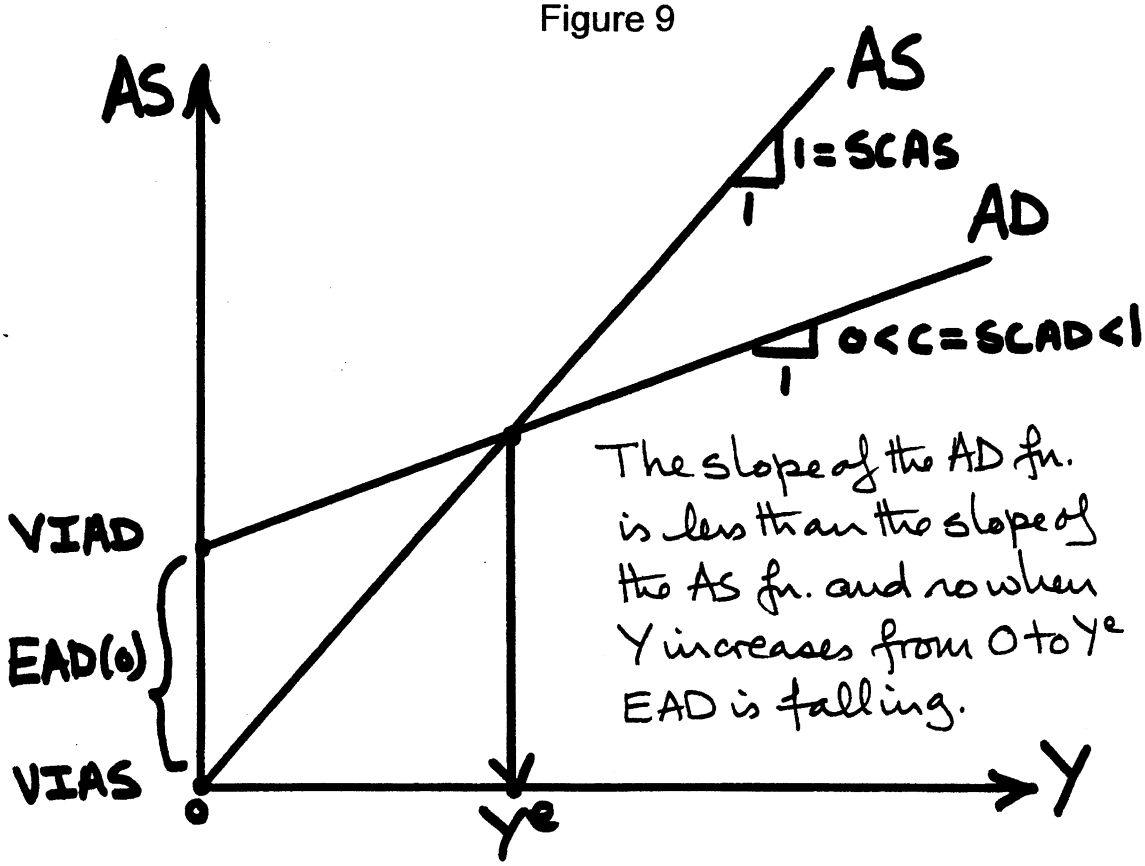



Because if firms do not produce any output they do not need to hire any inputs and so factor incomes are zero too.

$\Delta AS = \Delta GDP_{mp} = \Delta y$
must equal
$\Delta Y = \Delta GDI_{FC} = GDP_{FC}$

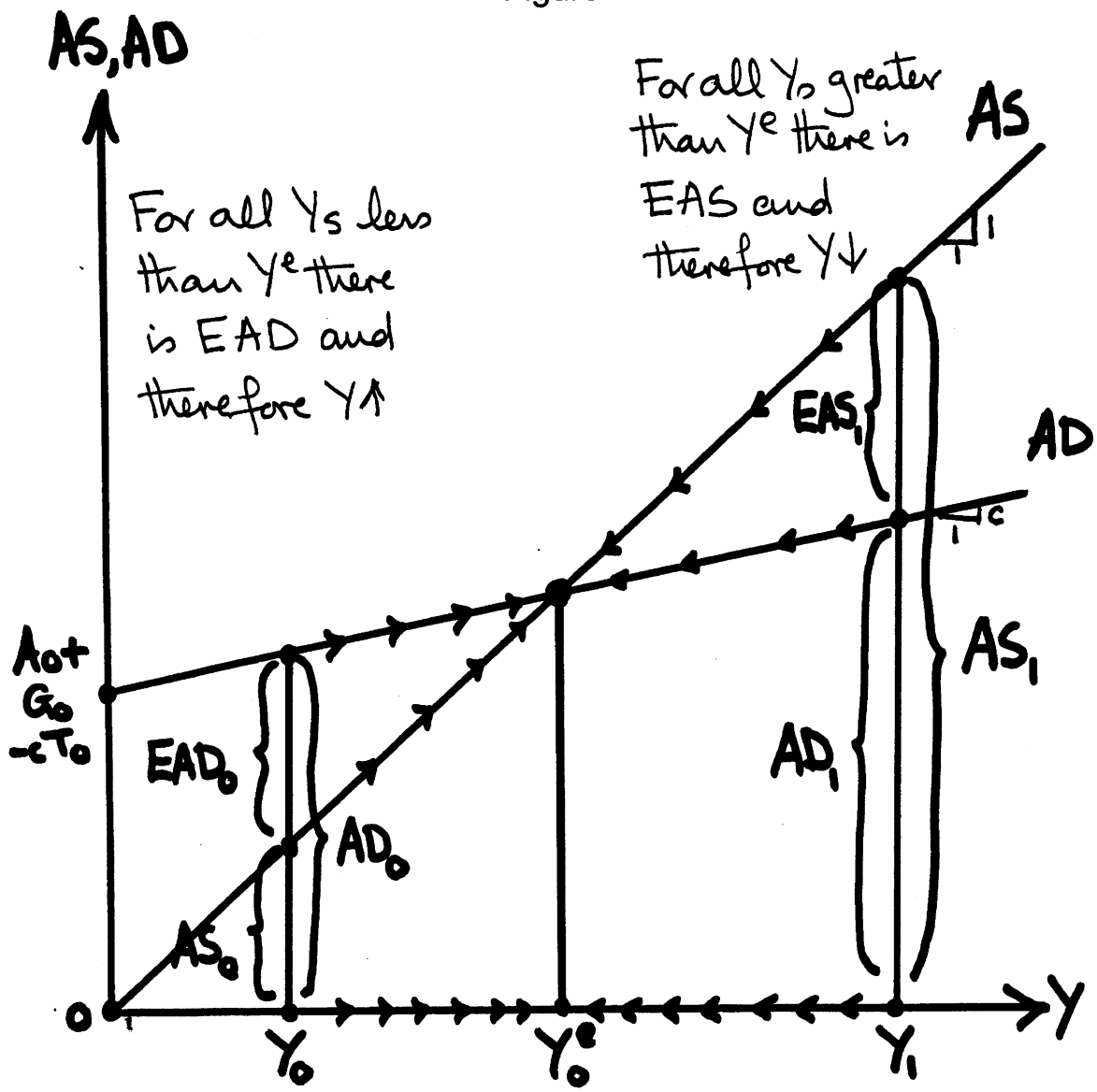
Income is simply the result of production & so $AS = Y$

Figure 9



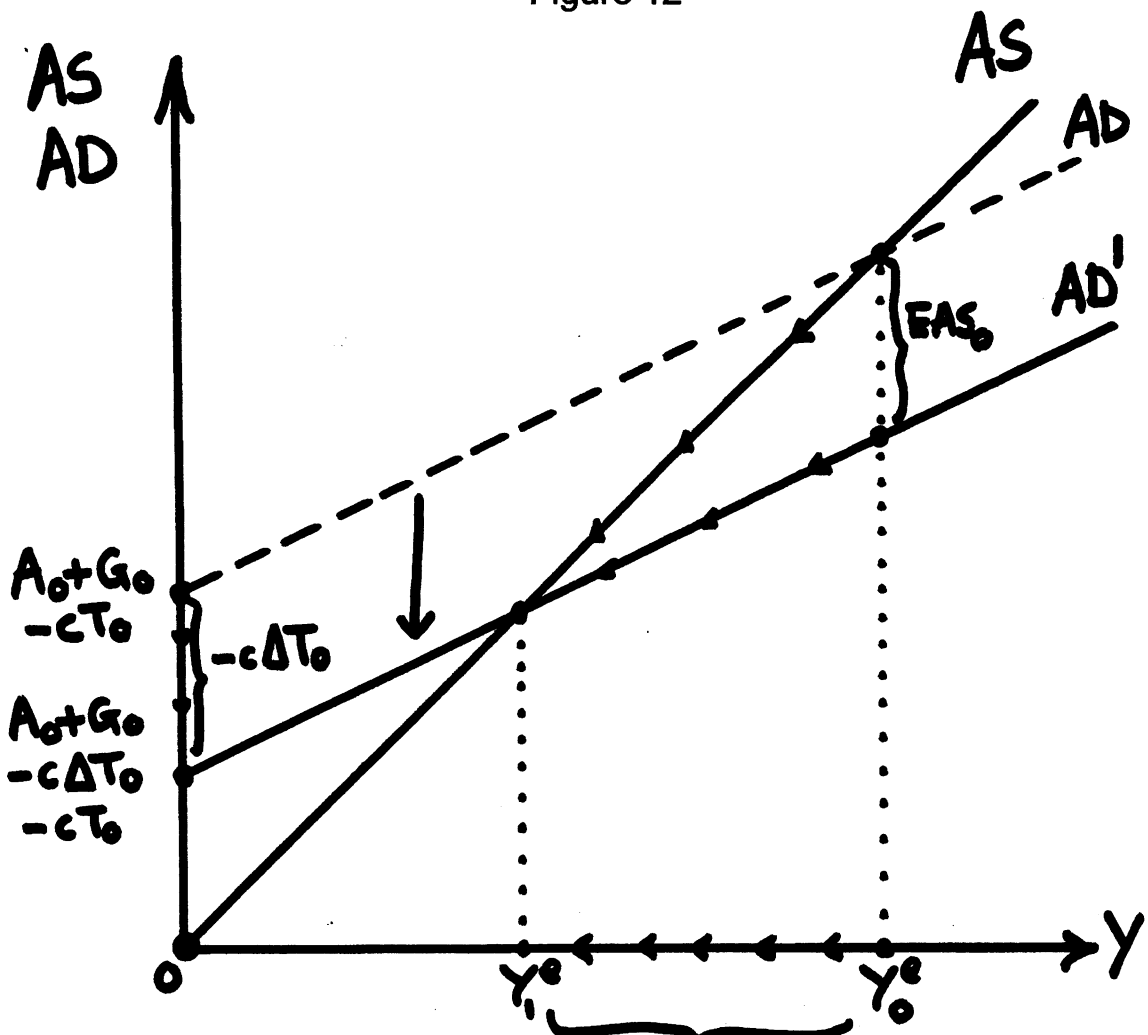

When $Y=0$, $VIAD(0) > VIAS(0) = 0$ and so there is excess aggregate demand ($EAD(0)$) at the origin. Note that when AS increases by, say, \$1b then Y also increases by \$1b but AD only increases by c \$1b < \$1b.

Figure 10




This model is a stable system in the QCS sense.

Figure 12




$$\Delta Y^e = Y_1^e - Y_0^e = k_T \Delta T_0 < 0$$

$$\frac{\Delta Y}{\Delta T_0} = k_T = \frac{-c}{1-c} < 0 \therefore |\Delta Y^e| > |\Delta T_0|$$

$$|k_T| = \left|\frac{-c}{1-c}\right| = -\left(\frac{-c}{1-c}\right) = \frac{c}{1-c} = c\,k_G \qquad |k_T| > 1 \text{ if } c > \tfrac{1}{2}$$