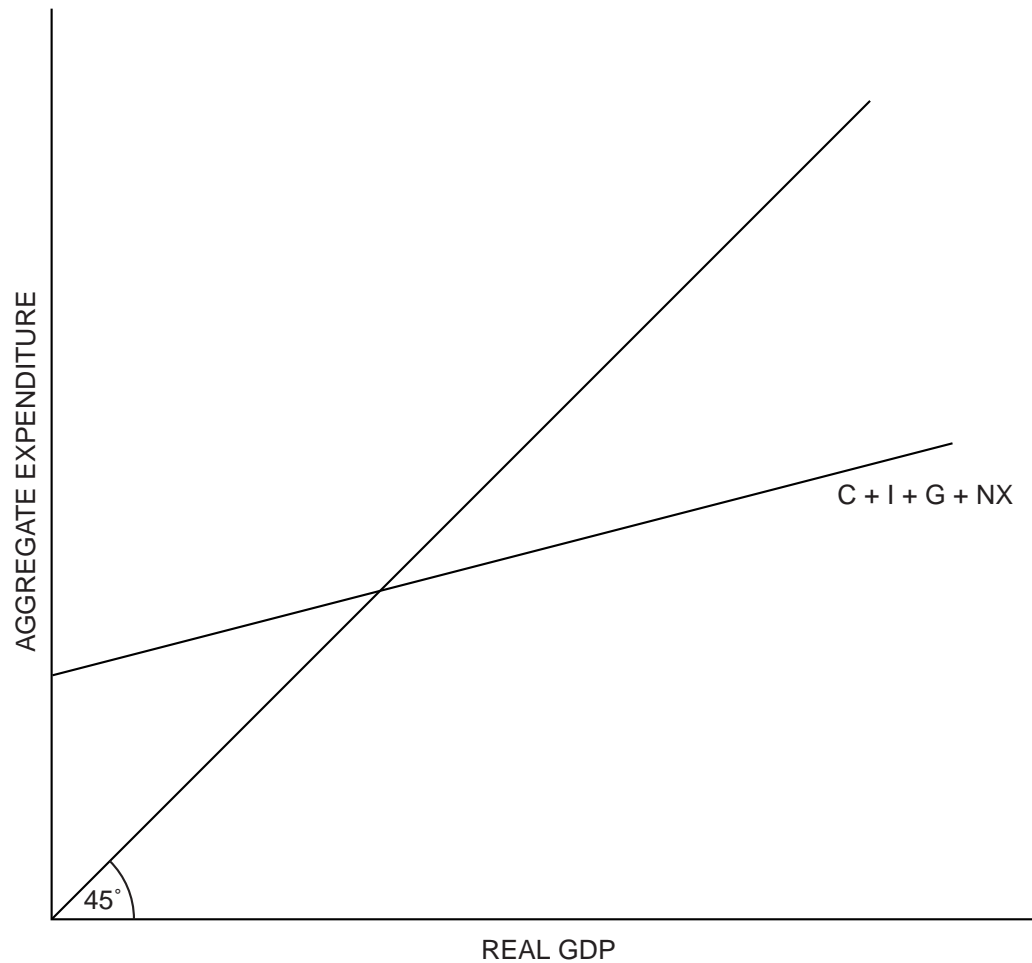


Simple Keynesian Model



Planned aggregate expenditure = $C + I + G + NX$

45° line: all points where production (real GDP) = aggregate expenditure

Equilibrium occurs where planned aggregate expenditure equals production.