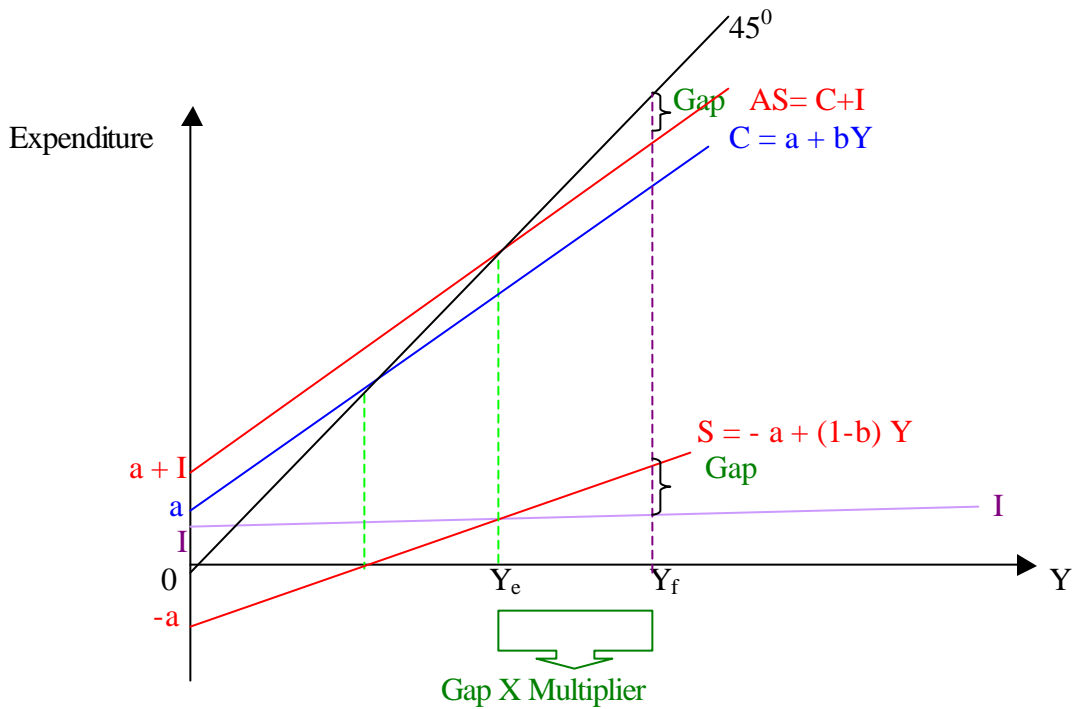


Keynesian Model



C: Aggregate Consumption

Y: Aggregate Income (output)

S: Aggregate Saving

I: Investment

Y_e : equilibrium level of aggregate output and income

Y_f : full employment level of aggregate output and income

a: autonomous consumption.

b: Marginal Propensity to Consume (MPC)

1-b: Marginal Propensity to Save (MPS)

AS: Aggregate Spending = $C + I$

Gap = $(S \text{ at full employment}) - I$

Gap = $Y_f - (AS \text{ at full employment}) = Y_f - (C_f + I)$

Gap = $(Y_f - Y_e) / \text{Multiplier}$