

### **Answer on Question #44108 – Economics - Economics of Enterprise**

Use the aggregate expenditure model developed in this chapter to explain the following statements: Administration officials said they were confident conditions would improve as tax rebates that are part of the recent \$152 billion economic-stimulus package begin to reach consumers.

#### **Solution**

Aggregate expenditure (AE) is the sum of consumption, investment, government purchases, and net export. Of these four sectors, the consumption represents the largest share. Aggregate expenditure model also known as the Keynesian cross. AE is also used in the Aggregate Demand- Aggregate Supply Model which advances the Aggregate Expenditures Model with the inclusion of Price changes.

Tax rebates that are part of the recent \$152 billion economic-stimulus package will stimulate consumption to increase, so the aggregate expenditure will increase. This will cause GDP and price level to increase.