Conventional Model

Expenditure

Recessionary Gap

\[ C + I' \]

\[ a + I' \]

\[ a + I \]

\[ C = a + bY \]

\( b = mpc = \frac{\Delta C}{\Delta Y} = \text{slope} \)

\[ Y = \frac{1}{1-b} (a + I) \]

\[ \frac{1}{1-b} = \text{multiplier} \]
Alternative Model

\[ Y = f(N) = \frac{1}{n} N \]

\[ Y = \text{income} = W + P \]

\[ Y = \text{output} = Q = f(N) = \frac{1}{n} N \]

\[ Y = \text{expenditure} = C + I \]

\[ \text{Multiplier} = \frac{1}{1 - wn} = \frac{1}{mark-up} \]