The IS Curve

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Changes in Autonomous Demand.

We know that the IS curve is given by the expression

$$Y = m \times \bar{A} - m \times \phi \times r,$$

where

$\bar{A} = \bar{C} + \bar{I} + \bar{G} + \bar{NX} - c \times \bar{T} - d \times \bar{f}, \quad m = \frac{1}{1-c}, \quad \phi = b + d + x.$

Thus, changes in the components of autonomous demand affect $\bar{A}$ and Y:

Change introduced	$\Delta\bar{A}$	ΔY
$\Delta\bar{C}$	$\Delta\bar{C}$	$m \times \Delta\bar{C}$
$\Delta\bar{I}$	$\Delta\bar{I}$	$m \times \Delta\bar{I}$
$\Delta\bar{G}$	$\Delta\bar{G}$	$m \times \Delta\bar{G}$
$\Delta\bar{NX}$	$\Delta\bar{NX}$	$m \times \Delta\bar{NX}$
$\Delta\bar{T}$	$-c \times \Delta\bar{T}$	$m \times (-c \times \Delta\bar{T}) = -m \times c \times \Delta\bar{T}$
$\Delta\bar{f}$	$-d \times \Delta\bar{f}$	$m \times (-d \times \Delta\bar{f}) = -m \times d \times \Delta\bar{f}$

All these changes cause the IS curve to shift (in contrast to Δr).