

# Change in Aggregate Demand

## DEMAND OF CONSUMERS

# C

What determines consumption aspect of aggregate demand:

- Changes in consumer income/taxes
- Changes in consumer wealth
- Changes in interest rates
- Household debt
- Consumer confidence

## DEMAND OF BUSINESSES

# I

What determines investment aspect of aggregate demand:

- Changes in business confidence
- Changes in interest rates
- Changes in business taxes
- Changes in corporate debt

## DEMAND OF GOVERNMENTS

# G

What determines government aspect of aggregate demand:

- Changes in political goals
- Changes in economic goals
- Emergencies / crises; wars

## NET EXPORTS

# (X-M)

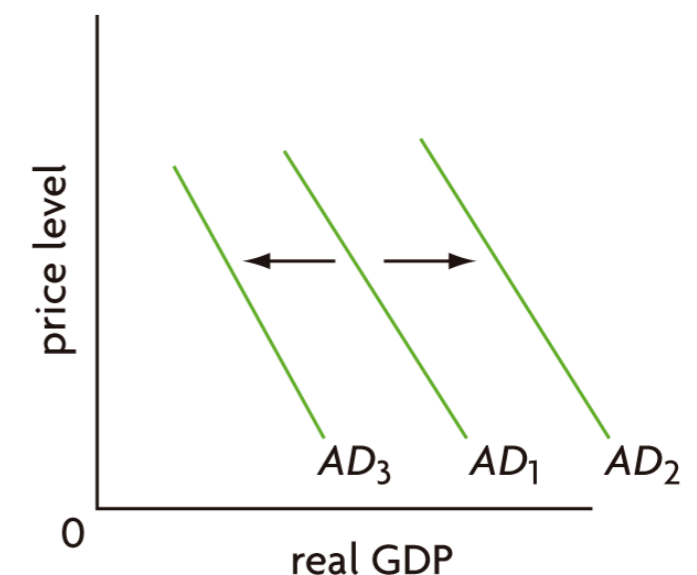
What determines net exports aspect of aggregate demand:

- Foreign national income
- Exchange rates for currencies
- Rules of international trade

Many fiscal and monetary policies aim to increase aggregate demand in order to help the economy expand.

It is quite possible for demand of one or two elements (say, investment and government) to be increasing while other elements (C and (X-M)) might be decreasing. The aggregate demand curve will move further right [increase in aggregate demand] if the stronger change elements are growing in demand, but will shift left [decrease in aggregate demand] if the opposite is true.

Shifts in the aggregate demand curve



# Change in Aggregate Supply

## Factors that can cause a change in AS:

### In the short run:

#### Production costs:

- Taxes
- Subsidies
- Wages / salaries
- Price of raw materials

may cause aggregate supply to change

### In the long run:

- State of the economy
- Technology
- Capital
- Availability of Labor

