



$$AD = C + I + G + NX$$

$$AD = Y$$

equilibrium at (y^*, AD^*) where the lines intersect. The level of economic output from which the economy will not deviate (until something else happens)

↓

SHIFTS IN THE AD CURVE RESULT IN CHANGES IN THE ECONOMY LARGER THAN THE INITIAL CHANGE

Following the shift of the AD curve from AD to AD', equilibrium shifts from (y^*, AD^*) to (y^*, AD^*)