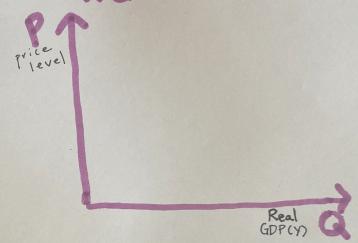
AGGREGATE DEMAND

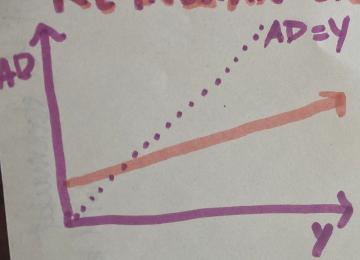
week 14

EMNESIAN CROSS :AP=Y

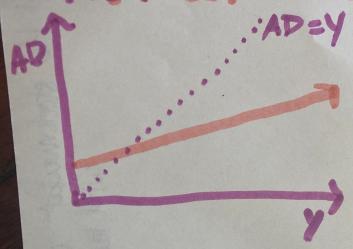
AGGREGATE DEMAND AD=C+1+G+NX KEYNESIAN CROSS AGGREGATE ELONOMY PILEVEL PI

AD : AD = Y



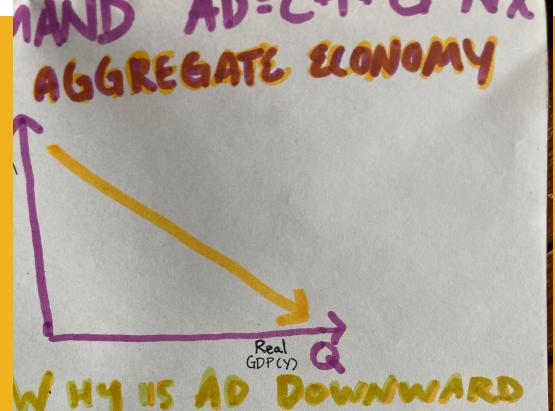








WHY IIS AD DOWNWARD SLOPING IN THIS GRAPH?



SLOPING IN THIS GRAPH?

- · REAL WEALTH EFFECT when prices go up, each bill purchases less
 - · REAL MONEY SUPPLY upward pressure on interest rates in market for loanable funds 1> more debt -> less spending
 - · INFLATION HURTS NX
 - · WHEN Prices INCREASE, FED TENDS TO (A+ r) INCRESSE interest Rates

AGGREGATE DEMAND AD=C+1+G+NX
KEYNESIAN CROSS AGGREGATE ELONOMY
ALL THE POINTS ON

ADSY

WHAT SHIFTS AD?

price

ALL THE POINTS ON
THIS AD CURVE
CURRES POND TO
POINTS WHERE
KEYNESIAN CROSS
IS IN EQUILIBRIU

N HY US AD DOWNWARD SLOPING IN THIS GRAPH?

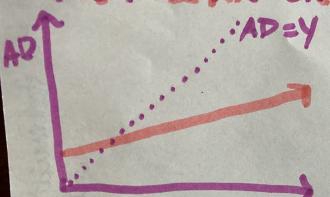
- · REAL WEALTH EFFECT when prices go up, each bill purchases less
- · REAL MONEY SUPPLY

 upward pressure on interest rates in

 market for loanable Funds

 by more debt -> less spending
- · INFLATION HURTS NX
- · WHEN prices INCREASE, FED TENDSTO (AT r INCRE2SE interest Rates

·NX



WHAT SHIFTS AD?

· C · thrift · transfers

I business incentives animal spirits

· G fiscal policy purchases

·NX changes in X ... M

price Prevel

ALL THE POINTS ON
THIS AD CURVE
CORRES POND TO
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KEYNESIAN CROSS
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· REAL WEALTH EFFECT
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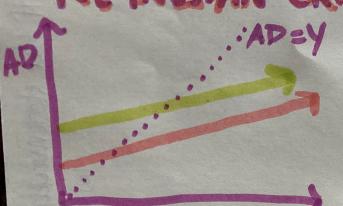
upward pressure on interest rates in

market for loanable funds

> more debt > less spending

· INFLATION HURTS NX

· WHEN prices increase, FED TENDSTO (A+ r)
INCREASE interest Rates



Price

ALL THE POINTS ON
THIS AD CURVE
CURRES POND TO
POINTS WHERE
KEYNESIAN CROSS
IS IN EQUILIBRIUM

WHAT SHIFTS AD?

- · C · thrift · transfers
- · I · business incentives . animal spirits
- · G fiscal policy purchases
- ·NX changes in X .. M

Real GPP(Y) GWWWARD SLOPING IN THIS GRAPH?

- · REAL WEALTH EFFECT when prices go up, each bill purchases less
- · REAL MONEY SUPPLY

 upward pressure on interest rates in

 market for loanable funds

 by more debt a less spending
- · INFLATION HURTS NX
- · WHEN prices INCREASE, FED TENDSTO (A+ r)
 INCRE2SE interest Rates