CONCEPT: SHIFTING AGGREGATE DEMAND

● When factors other than the price level change, the aggregate demand curve will either shift left or right

□ ***Aggregate Demand*** is closely related to our calculation for GDP

> Recall, that GDP = ____________________

> When we shifted market demand, we used the idea of "good" and "bad"

- "Good" for demand → ___________________
- "Bad" for demand → ___________________

● Factors that affect ***consumption***:

□ *Interest Rates*: Interest Rate ↑ → Consumption _____ → Aggregate Demand _____

□ *Income Taxes*: Income Taxes ↑ → Consumption _____ → Aggregate Demand _____

□ *Expected Income*: Expected Income ↑ → Consumption _____ → Aggregate Demand _____

● Factors that affect ***investment***:

□ *Interest Rates*: Interest Rate ↑ → Investment _____ → Aggregate Demand _____

□ *Business Taxes*: Business Taxes ↑ → Investment _____ → Aggregate Demand _____

□ *Expected Profit*: Expected Profit ↑ → Investment _____ → Aggregate Demand _____

● Factors that affect ***government purchases***:

□ *Amount*: Amount of Government Purchases ↑ → Aggregate Demand _____

□ Note: the government also affects aggregate demand through *monetary policy* and *fiscal policy*

● Factors that affect ***net exports***:

□ *Relative GDP Growth*: USA Growth ↑ → Net Exports _____ → Aggregate Demand _____

> US Consumers have more income leading imports to increase

□ *Exchange Rates*: USD Value ↑ → Net Exports _____ → Aggregate Demand _____

> Each USD has more buying power abroad leading imports to increase