

Aggregate Demand

AD

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P









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S



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Price Level

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

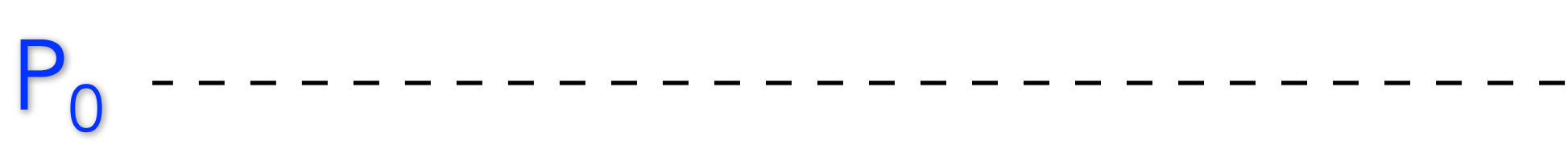


An increase in Prices,
shift AE down



Aggregate
Demand for goods
and services

P₁



AD₀

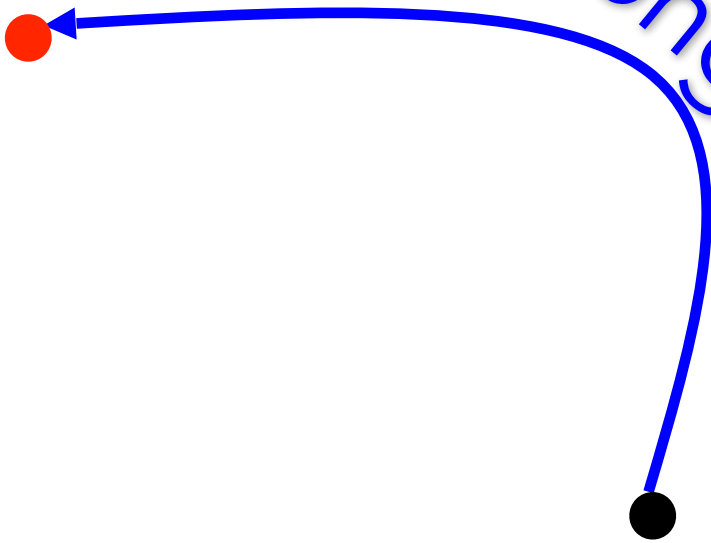


AD₁



Aggregate
Demand for goods
and services
decrease

A movement up
along AD



For different Prices,
assuming income is
constant

Aggregate Demand

For different Prices,
assuming income is
constant

An increase in Prices,
shift AE down

Aggregate
Demand for goods
and services
decrease

Price Level

