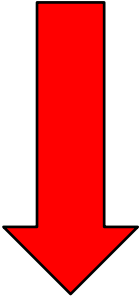


$$\text{Real Wealth} = \frac{\text{Nominal Wealth}}{\text{Price Index}}$$

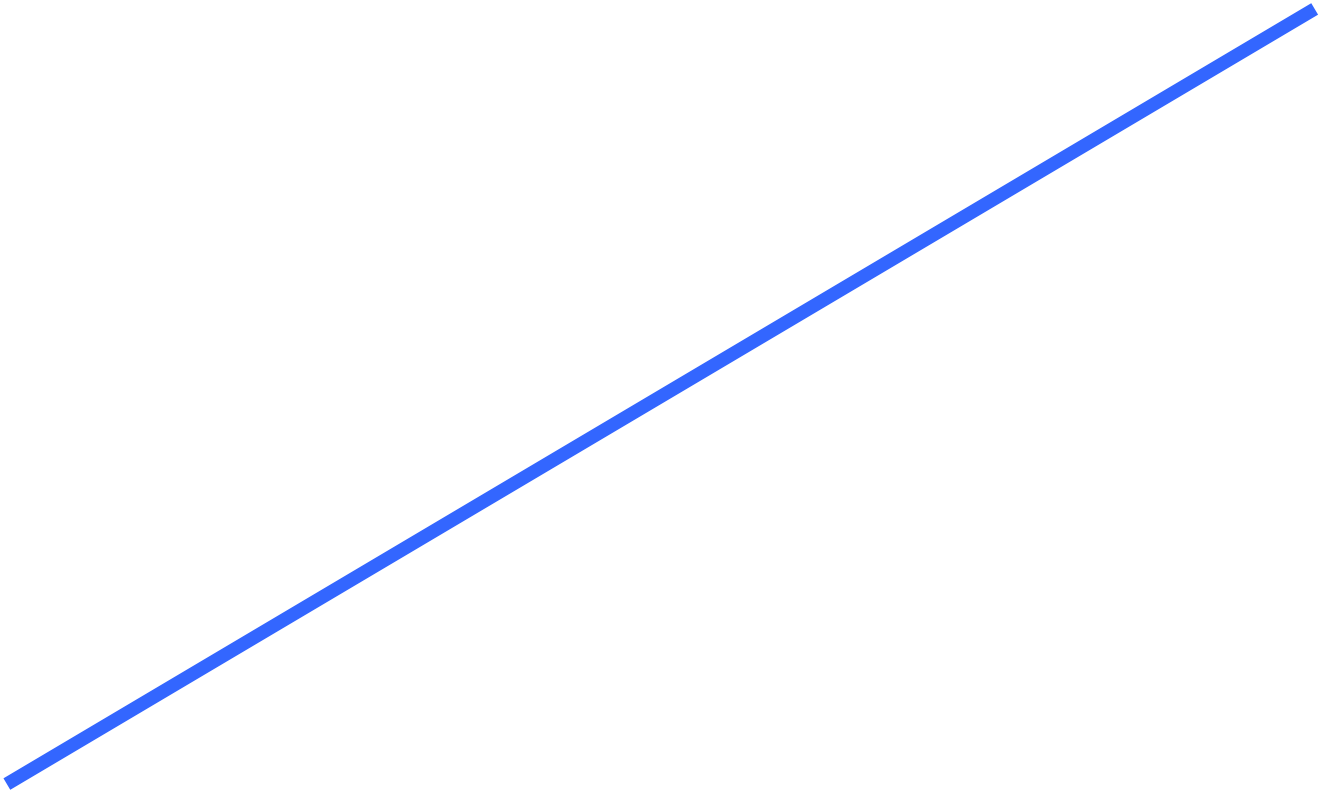


1. An **increase** in prices, **decrease** the real value of Wealth

From Aggregate Expenditures to Aggregate Demand

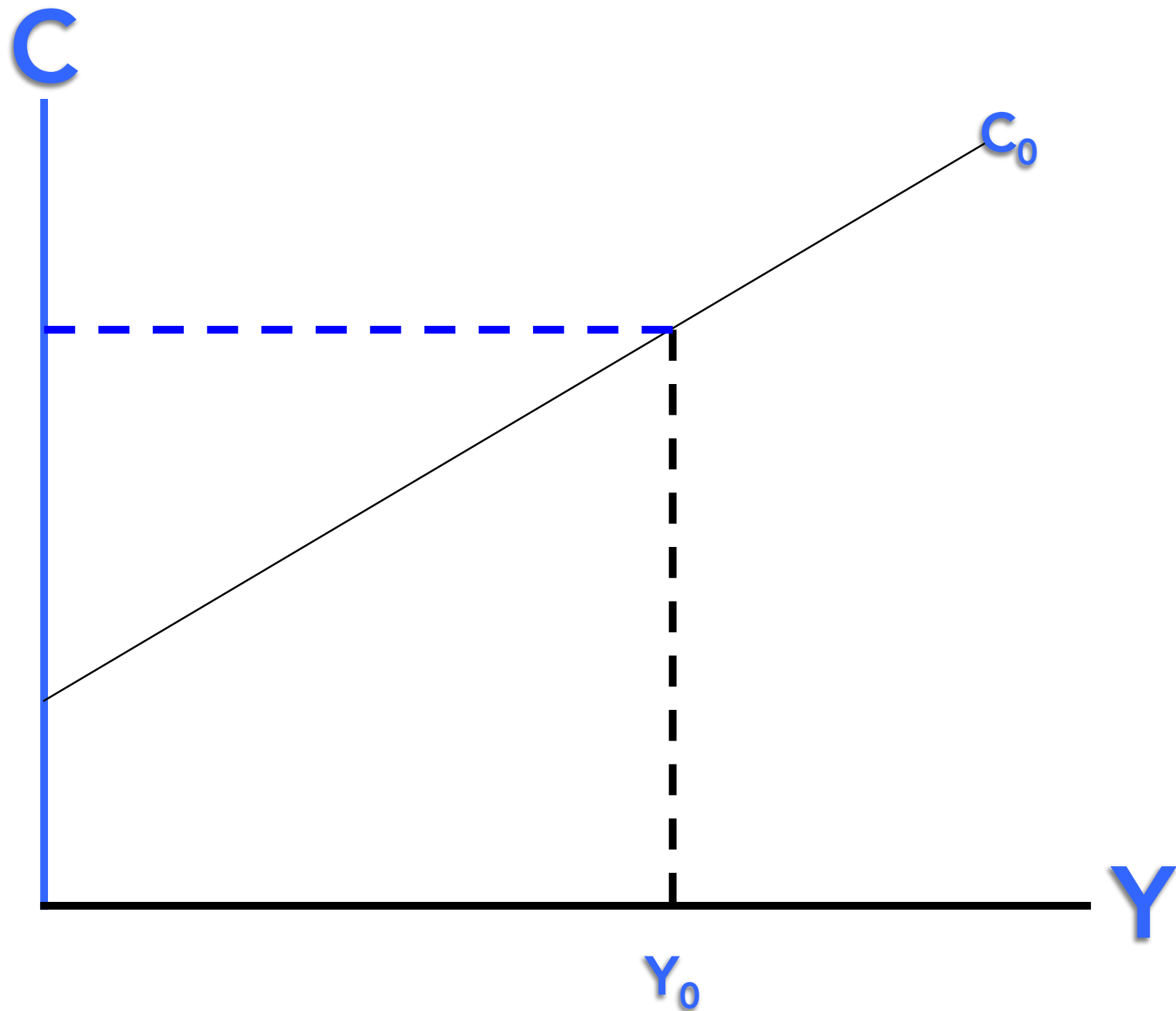
Two things to remember:



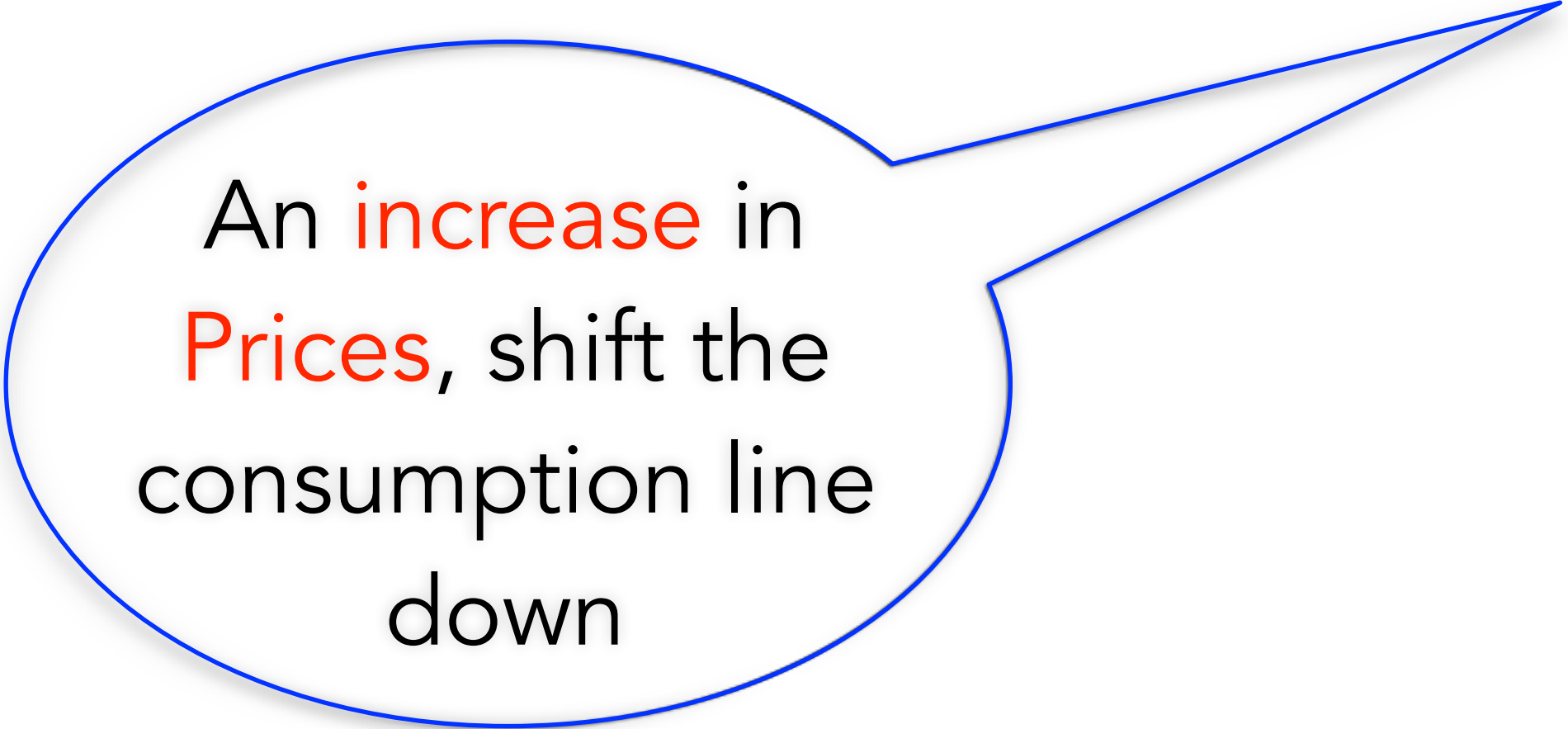


Q1





2. A decrease in Real value of Wealth,
decrease Autonomous Consumption



An **increase** in
Prices, shift the
consumption line
down

From Aggregate Expenditures to Aggregate Demand

Two things to remember:

1. An **increase** in prices, **decrease** the real value of Wealth

$$\downarrow \text{Real Wealth} = \frac{\text{Nominal Wealth}}{\uparrow \text{Price Index}}$$

2. A **decrease** in Real value of Wealth, **decrease** Autonomous Consumption

An **increase** in **Prices**, shift the consumption line down

