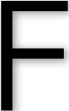




Aggregate Demand

AD











o



















P











S



6



S

U

**m**







9









nn







S







S



ar







# Price Level

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



An **increase** in **Prices**,  
shift Aggregate  
**Expenditures** down



Aggregate  
**Demand** for goods  
and services

$P_1$

-----


$P_0$  - - - - -



AD<sub>0</sub>

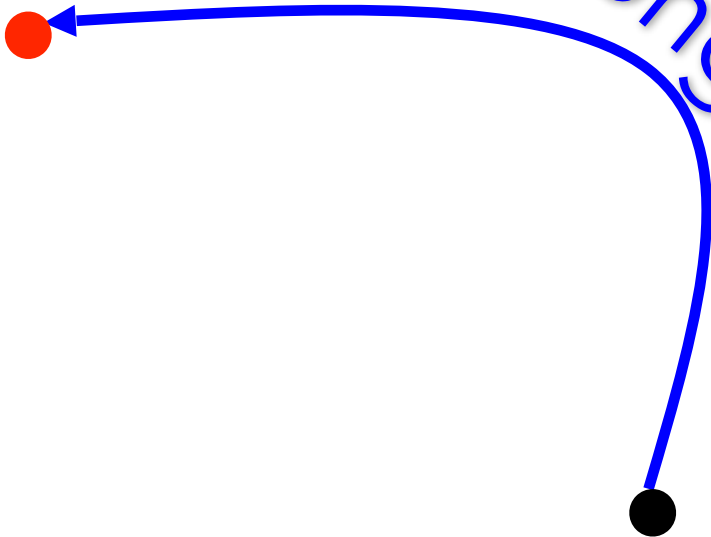
$AD_1$





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 Aggregate  
**Expenditures** down

Aggregate  
**Demand** for goods  
and services  
decrease

Price Level

$P_1$

$P_0$

$AD_1$

$AD_0$

AD

A movement up  
along AD

