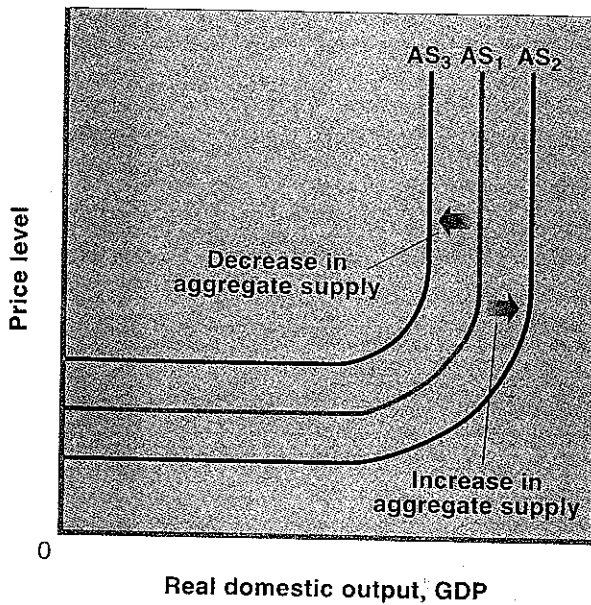


**Determinants of aggregate demand:**  
factors which shift the aggregate demand curve

1. Change in consumer spending
  - a. Consumer wealth
  - b. Consumer expectations
  - c. Household indebtedness
  - d. Taxes
2. Change in investment spending
  - a. Interest rates
  - b. Profit expectations on investment projects
  - c. Business taxes
  - d. Technology
  - e. Degree of excess capacity
3. Change in government spending
4. Change in net export spending
  - a. National income abroad
  - b. Exchange rates

**FIGURE 11-3 Changes in aggregate demand** A change in one or more of the listed determinants of aggregate demand will change aggregate demand. An increase in aggregate demand is shown as a rightward shift of the AD curve, here from AD<sub>1</sub> to AD<sub>2</sub>; a decrease in aggregate demand, as a leftward shift, here from AD<sub>1</sub> to AD<sub>3</sub>.



**Determinants of aggregate supply:**  
factors which shift the aggregate supply curve

1. Change in input prices
  - a. Domestic resource availability
    - a<sub>1</sub> Land
    - a<sub>2</sub> Labor
    - a<sub>3</sub> Capital
    - a<sub>4</sub> Entrepreneurial ability
  - b. Prices of imported resources
  - c. Market power
2. Change in productivity
3. Change in legal-institutional environment
  - a. Business taxes and subsidies
  - b. Government regulations

**FIGURE 11-6 Changes in aggregate supply** A change in one or more of the listed determinants of aggregate supply will cause a change in aggregate supply. An increase in aggregate supply is shown as a rightward shift of the AS curve from AS<sub>1</sub> to AS<sub>2</sub>; a decrease in aggregate supply, as a leftward shift from AS<sub>1</sub> to AS<sub>3</sub>.