

Macro-Economics

Determinants of Aggregate Demand (AD) (Causes of line shifts)

Consumption (households):

1. Consumer's net wealth (+)
2. Interest rates (-)
3. Taxes (-)
4. Expectations regarding economic health (+)

+ Direct relationship with shift in the line.

- Inverse relationship with shift in the line.

Investment (businesses):

1. Interest rates (-)
2. Taxes (-)
3. Expectations regarding economic health – (Future prices/future income) (+)

Government:

1. Purchases (+)

Net Exports (Xn): (Remember $X_n = X - M$ X =Exports and M =Imports)

1. Foreign income levels (+)
2. Exchange rates (i.e., the dollar "price" of foreign currency (+)
 - a. Dollar appreciates (the dollar "price of foreign currency decreases; hence, more foreign currency can be "bought with a dollar).
 - b. Dollar depreciates (the dollar "price of foreign currency increases; hence, less foreign currency can be "bought with a dollar).

Determinants of Aggregate Supply (AS) (Causes of line shifts)

Short-Run Aggregate Supply (SRAS)

1. Input prices (-)
 - a. Labor – Wages and salaries
 - b. Nonlabor – materials, capital (buildings and machinery),
2. Input productivity and/or technology (+)
3. Supply shocks
 - a. Adverse (+)
 - b. Beneficial (+)

Long-Run Aggregate Supply (LRAS)

1. Amount of available resources (+)
2. Productivity of resources and/or technology (+)
3. Factors affecting "natural" unemployment (i.e., information, discrimination, etc)