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Principles of Economics

Things that Change Aggregate Demand in the Short Run

Consumption and Personal Savings change when there are changes in:

(Very Powerful)

- household tax rates
- household transfer payments
- household wealth
- confidence of households

(Powerful)

- real national income

Investment changes when there are changes in:

(Very Powerful)

- expected future profitability of firms

(Powerful)

- monetary policy

Government Purchases Change only when a law is passed that changes them.

The Budget Surplus, or Budget Deficit, changes when there are changes in

(Very Powerful)

- household tax rates
- household transfer payments
- government purchases

(Powerful)

- real national income (which is the tax base)

Unemployment changes when real GDP changes

The Dollar's Value Changes, relative to foreign currency, when interest rates change

Net Exports, or the Trade Deficit changes when there are changes in:

(Very Powerful)

- the national incomes of countries that buy our exports

(Powerful)

- the dollar's value relative to foreign currency