Interactive graph of aggregate demand is an interactive technical note that graphically explains the cause-effect relationship between those economic variables that make up aggregate demand.

This interactive technical note includes:
- An interactive graph
- Exercises that encourage the use of the graph and guide its application
Through the menu underneath the graph, students can make changes to consumption, investment, government spending, exports and imports, to see their effects on the equilibrium points of price and production.

The graph lets you observe the effect of the changes on the economic variables which form the aggregate demand.

You may see the interactions on the graph by clicking on the icons of the variables. It is only possible to interact with one of the variables at a time. To return to the initial position click on “Reset Graph”.

We suggest that you first familiarize yourself with how the graph works by practicing raising or lowering some of the variables before doing the proposed exercises. Continue using the graph in order to answer the questions.

Click on the variables to see what they mean.
Exercises with feedback allow students to test the concepts learned, whilst at the same time, the interactive graph allows students to see the different scenarios graphically.

**Ejercicios:**

A reduction in the marginal propensity to consume:
- increases the consumers' disposable income
- promotes consumption of durable goods
- reduces aggregate demand
- reduces government spending
- none of the above

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**THE ANSWER IS CORRECT**

The reduction of the marginal propensity to consume (\( \gamma \_C \)) implies that a smaller proportion of the population's disposable income will be spent on private consumption (\( \gamma \_C \)), and in that sense means a drop in the aggregate demand of the economy.

**TRY A NEW EXERCISE**