Interest-rate effect When the price level rises, real costs for businesses go up, so businesses have to invest more to pay for new equipment. When interest rates are high, businesses will borrow less, which reduces investment.

Price Level An increase in the price level leads to the real-balances effect and increasing price levels reduces real wealth and cut down consumer spending. If the price level increases for example 105 to 115, consumption and RGDP both decrease due to an increase in prices.

Real-balances effect operates on the savings and income of households, which affects consumption.

Investment (I) will increase when positive economic forecasts presented to business owners lead to increases in productive capacity

Government spending if the government cuts the budget aggregate (total) demand will decrease.

Real GDP (RGDP) a decrease in RGDP would cause price levels to rise and cause households to cut back on spending. When households spend less, that's a change in quantity demanded, not a shift in overall demand itself.

Aggregate demand (AD) a fall in stock prices will shift the AD curve to the left due to lower stock prices reducing household wealth, which results in lower household consumption. A new development in technology that results in greater productivity would cause investment to go up and increase aggregate demand.