Definition of the terms.

1. Aggregate demand: Total demand for all goods & services in an economy at a given price level & time.

2. Aggregate demand curve: A graph showing the relationship b/w overall price level & the total quantity of output demand.

3. Aggregate quantity demanded: The total amount of goods and services consumers, buisinesses & govt. want to buy at a specific price level.

4. Aggregate quantity supplied: The total amnt. of good & services ~~prosers~~ producers are willing to sell.

5. Aggregate supply: Total supply of all goods & services in an economy at a given price lvl.

6. Aggregate supply curve: A graph showing the relationship b/w price level & total output firms are willing to produce.

7. Change in aggregate demand: A shift of the entire ~~aggreg~~ aggregate demand curve due to non-price factors (eg income, expectations).

8. change in aggregate supply: A shift of aggregate supply curve due to factors like ~~out~~ input costs or technology.

9. Macroeconomic equilibrium: The point where aggregate demand equals aggregate supply, determining the overall price level & output.

Q. 1. Aggregate demand curve vs. market demand curve.

The aggregate demand curve represents the economy-wide total demand for all goods & services, while a market demand curve shows demand for a single good. It slopes downward due to wealth, interest-rate & international-trade effects.

Aggregate supply curve vs. market supply curve: The aggregate supply curve shows total output firms produce at diff. price levels often upward-sloping in the short run because of sticky wages. A market supply curve refers to a specific good.

Macroeconomic equilibrium: Occurs at the intersection of the AD & AS curves; here real GDP & price level are determined.

Effect of change in aggregate demand: A rise shifts the AD curve right, increasing output & price level (expansion); ~~all~~ a fall shifts it left causing contraction.

Effect of changes in aggregate supply: A rightward shift (positive supply shock) lowers prices & raises output; a leftward shift (negative shock) raises prices & reduces output.