Vivaan Sharma 252 12/12/25

- Aggregate Demand (AD) → Total demand for all final goods and services in an economy at a given price level during a period.

- Aggregate Demand Curve → A curve showing the relationship between the general price level and aggregate quantity demanded.

- Aggregate Quantity Demanded → Total quantity of goods and services demanded in the economy at a specific price level.

- Aggregate Quantity supplied → Total quantity of goods and services produced and supplied in the economy at a specific price level.

- Aggregate Supply (AS) → total supply of all final goods and services produced in an economy at different price levels.

- Aggregate supply curve → A curve showing the relationship between the general price level and aggregate quantity supplied.

Change in Aggregate Demand → A shift of the AD curve due to factors like changes in income, government spending, taxes, or investment.

Change in Aggregate Supply → A shift of the AS curve due to changes in production costs, technology, taxes, or wages.

Macroeconomic Equilibrium → A situation where aggregate demand equals aggregate supply.

Q2. • Market demand shows demand for one good, while aggregate demand shows demand for all goods and services.

→ AD curve is downward sloping -

- Wealth effect
- Interest rate effect.
- Net exports effect.

• Market supply shows supply of one good; aggregate supply shows total output of the economy.

In short run, AS is upward sloping due to sticky wages and input costs.

- Macroeconomic equilibrium occurs when aggregate demand equals aggregate supply.

On AD-AS graph → where curves intersect.

- Increase in AD → equilibrium output and price level rise.

Decrease in AD → equilibrium output and price level fall.

- Increase in AS → output increases, price level falls.

Decrease in AS → output decreases, price level rises.