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Answer questions of class 15

1. Meaning of the Terms

· Aggregate demand – The total amount of goods and services that all people, companies, and the government want to buy in a country.

· Aggregate demand curve – A line on a graph that shows how much people want to buy at different price levels in the whole country.

· Aggregate quantity demanded – The exact amount of goods and services people want to buy at a certain price level.

· Aggregate quantity supplied – The exact amount of goods and services companies produce at a certain price level.

· Aggregate supply – The total amount of goods and services that all companies produce in a country.

· Aggregate supply curve – A line on a graph that shows how much companies produce at different price levels.

· Change in aggregate demand – When people want to buy more or less than before at the same price level.

· Change in aggregate supply – When companies produce more or less than before at the same price level.

· Macroeconomic equilibrium – The point where the total amount people want to buy equals the total amount companies produce. The economy is stable here.

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2. Explanations

· Aggregate demand curve vs. market demand curve

  · A market demand curve is for one product (like apples).

  · The aggregate demand curve is for all products in the whole country.

  · The aggregate demand curve slopes downward because when prices are lower, people can buy more with their money.

· Aggregate supply curve vs. market supply curve

· A market supply curve is for one product (like cars).

· The aggregate supply curve is for all products in the whole country.

· In the short run, this curve slopes upward because when prices are higher, companies want to produce more to earn more money.

· Macroeconomic equilibrium

· This is the point on the graph where the aggregate demand curve and the aggregate supply curve cross.

· At this point, the amount people want to buy equals the amount companies produce.

· Effect of a change in aggregate demand

· If people want to buy more (demand increases), the equilibrium point moves. The result can be higher production and higher prices.

· If people want to buy less (demand decreases), the result can be lower production and lower prices.

· Effect of a change in aggregate supply

· If companies produce more (supply increases), the equilibrium point moves. The result can be higher production and lower prices.

· If companies produce less (supply decreases), the result can be lower production and higher prices.