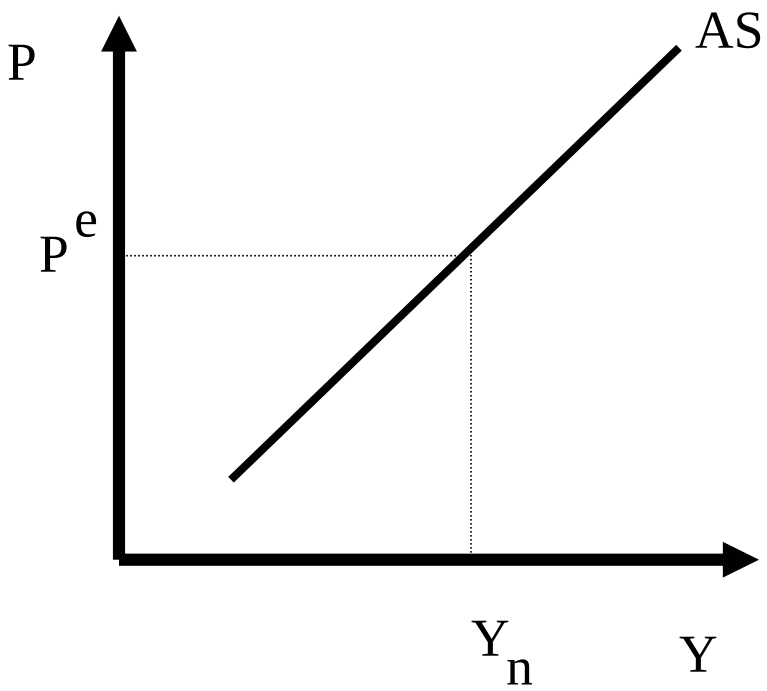
Lecture 13: Aggregate Supply and Aggregate Demand

- Aggregate supply
- Aggregate Demand
- Shocks

$$P = P^e (1+\mu) F(1-Y/L,z)$$



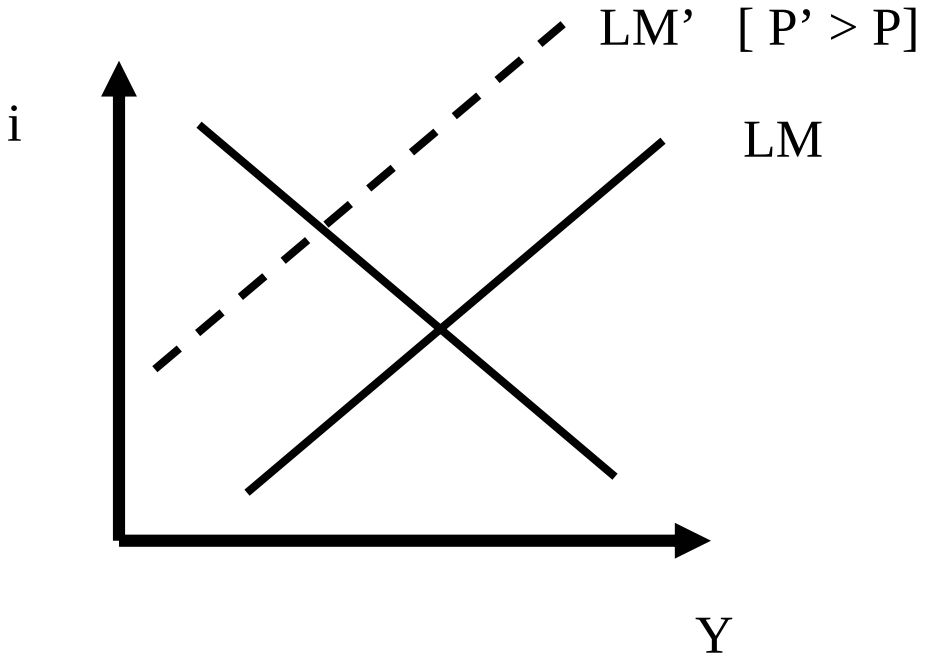
$P^e(t) = P(t-1)$ [for now] =>

AS: $P(t) = P(t-1)\ (1+\mu) F(1-Y(t)/L,z)$

Aggregate Demand

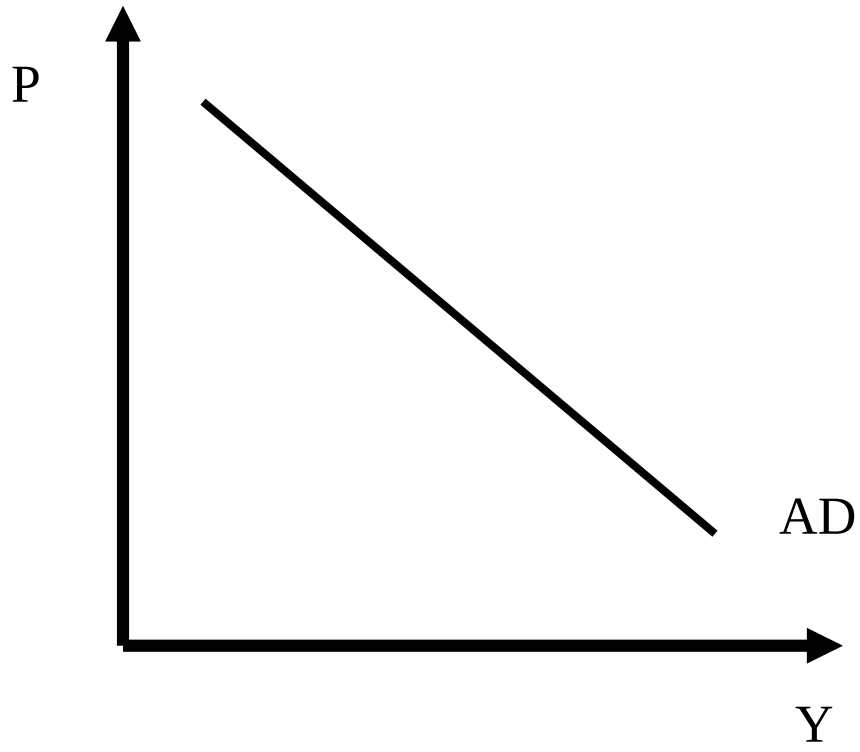
IS: $Y = C(Y-T) + I(Y,i) + G$

LM: $\frac{M}{\mathbf{P}} = Y\,L(i)$

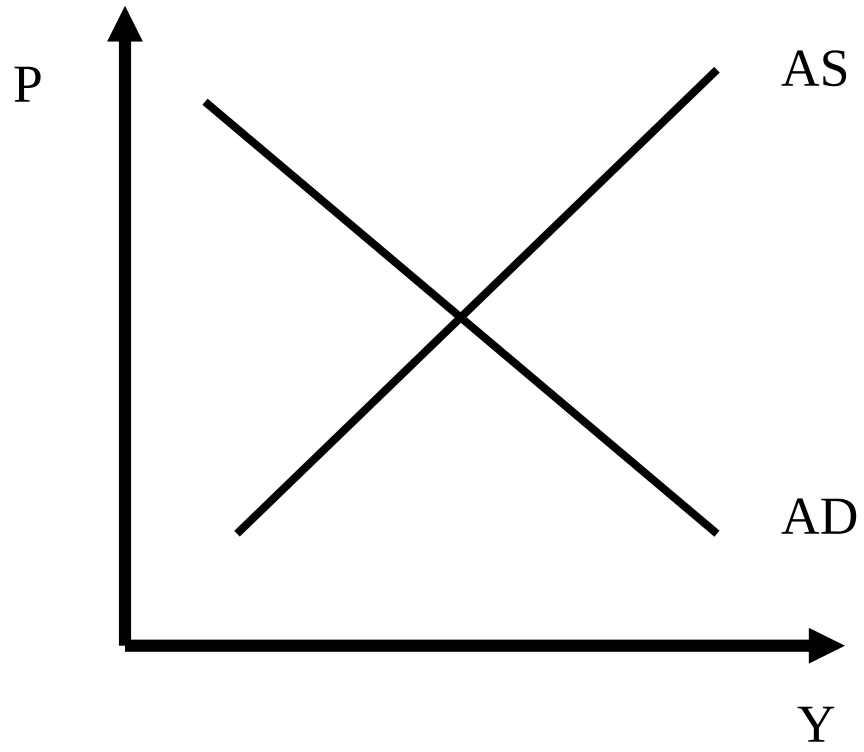


AD: **Y = Y(M/P, G, T)**

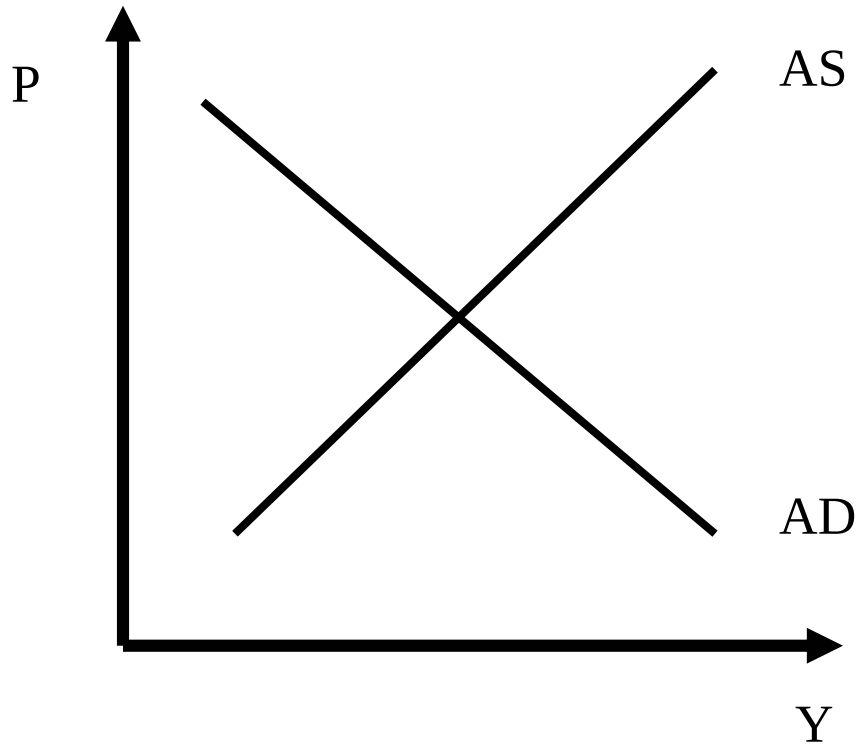
+ + -



Aggregate Demand - Aggregate Supply



AD-AS: Canonical Shocks



Monetary expansion; fiscal expansion; oil shock (figs 7-9/7-10/7-11/7-12/7-13)