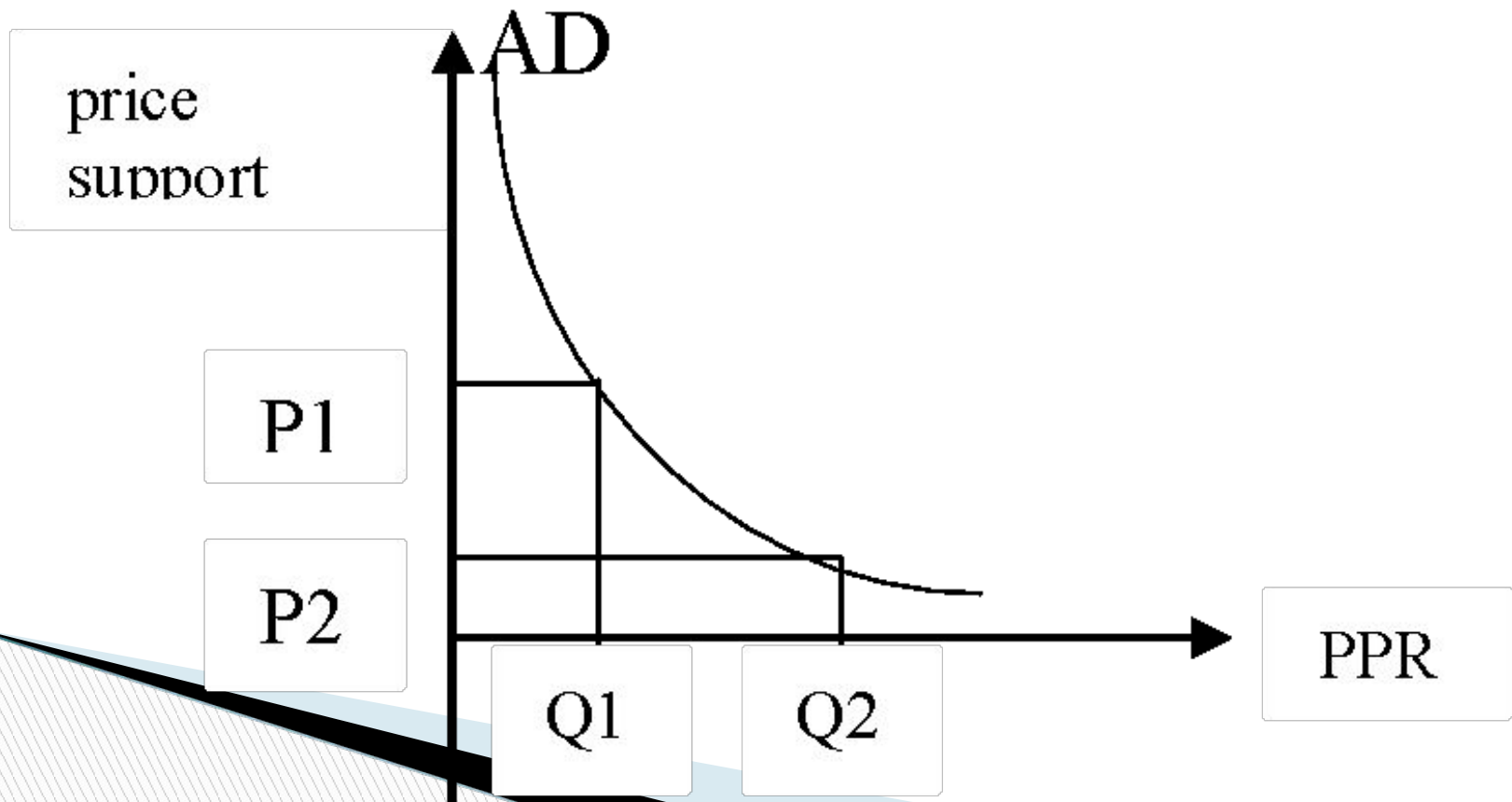


# Theme 11. Macroeconomic equilibrium

# **1. Macroeconomic equilibrium and its characteristics**

**Aggregate demand (AD)** - represented as a curve that shows the amount of goods and services that consumers, businesses, the government is ready to buy at any possible level of prices.



# Factors determine a curve AD

**The effectiveness of the wealth (solvency of buyers)**

**The effective interest rate method**

**The effectiveness of foreign purchases**

# Non-price factors affecting the change in demand (AD schedule shifts to the left or to the right)

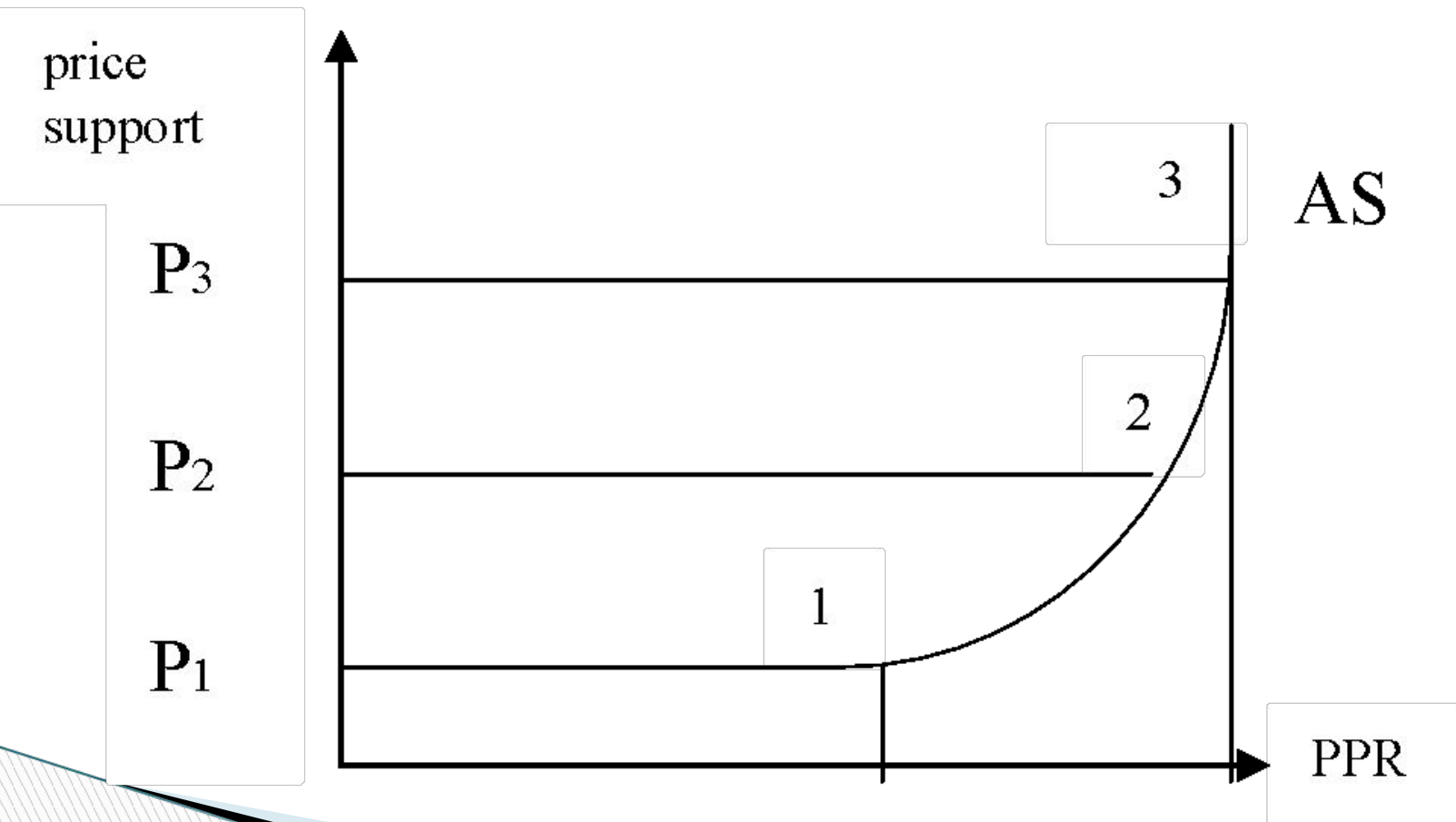
**Change in  
consumer  
spending**

**The change  
in  
investment  
costs**

**The change  
in  
government  
expenditure**

**The change  
in the cost  
of net  
exports**

**Aggregate supply (AS)** - this is a curve that shows the actual cash amount produced, for any given price level.



# Non-price factors affecting the change in supply

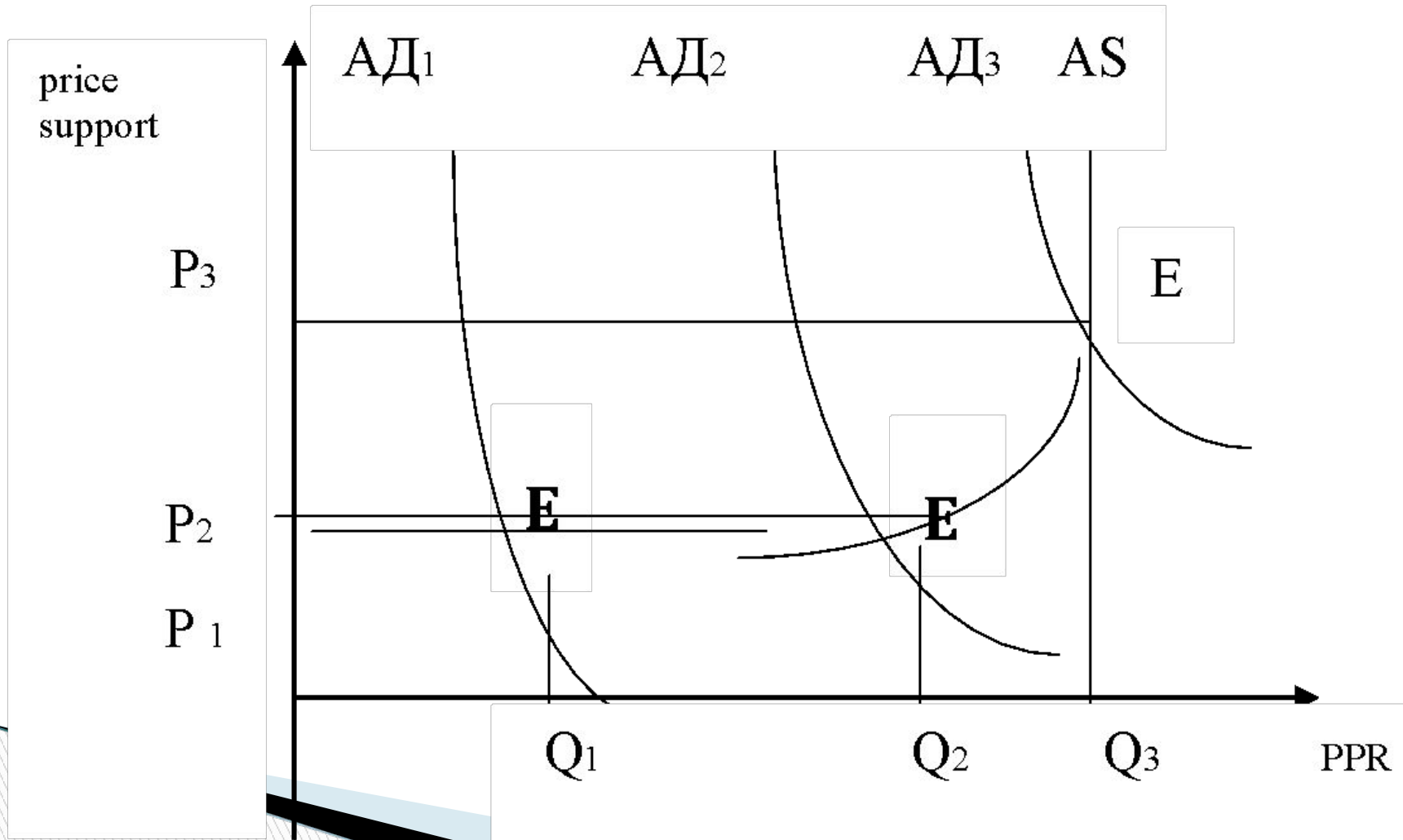
change in performance

change in the prices of resources

Taxes

government regulation

# The equilibrium price level and equilibrium PPR, ie $Q = Q_{AS AD}$ .





## **2. Models of employment resources**

# The essence of the classical theory of employment

Full employment of resources is the norm

$Q_s$  (supply) varies adequate changes in the price level

The capitalist economy is self-regulating.

# The essence of Keynesian theory

The economy may be poised for a significant level of unemployment and significant inflation.

Full employment is casual.

In the short term prices, wages are inelastic, so the total supply represented by the horizontal line.

On the contrary, the equilibrium can be achieved with the availability of resources, ie unemployment and inflation. .