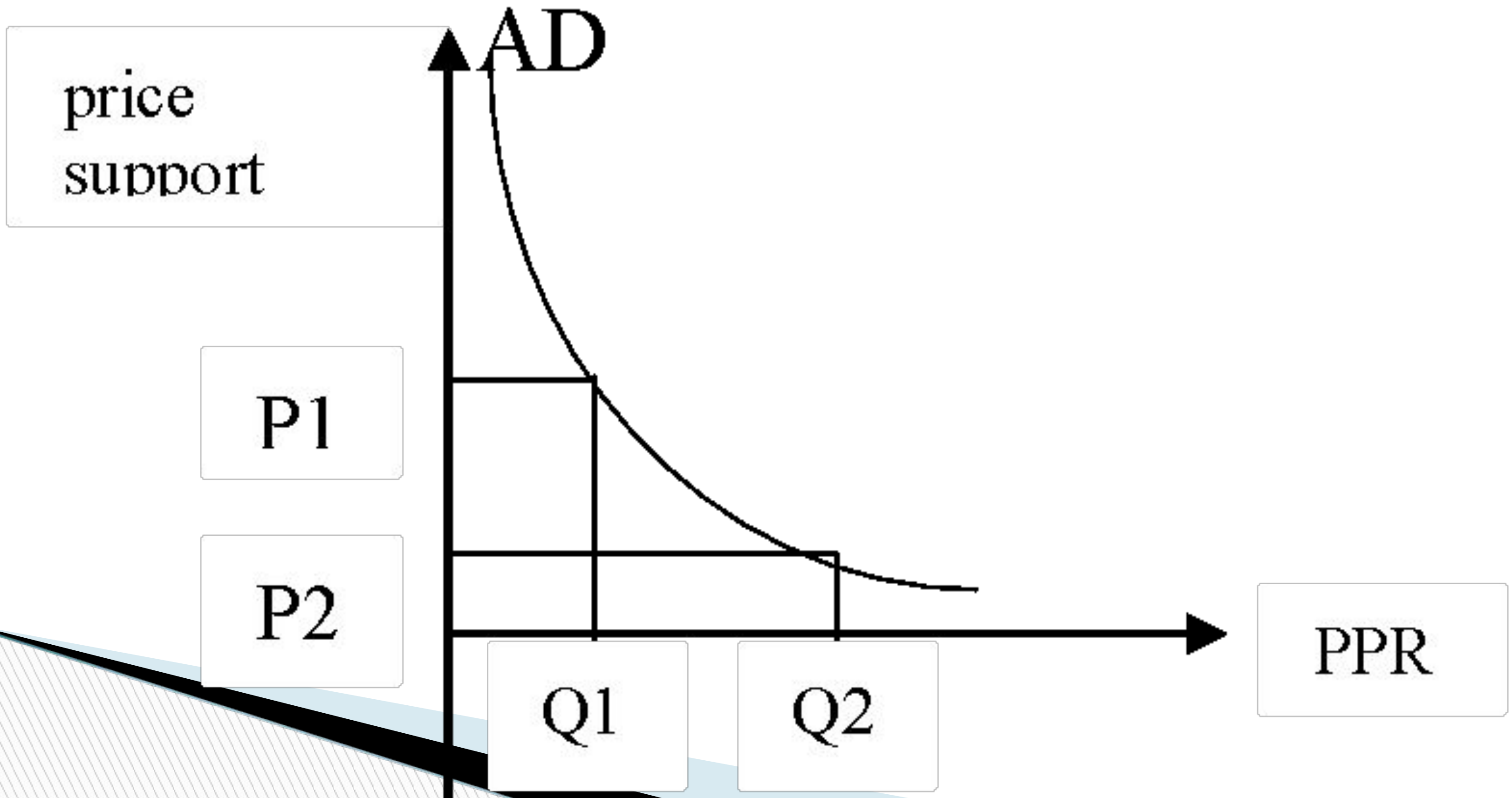
Theme 11. Macroeconomic equilibrium

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.



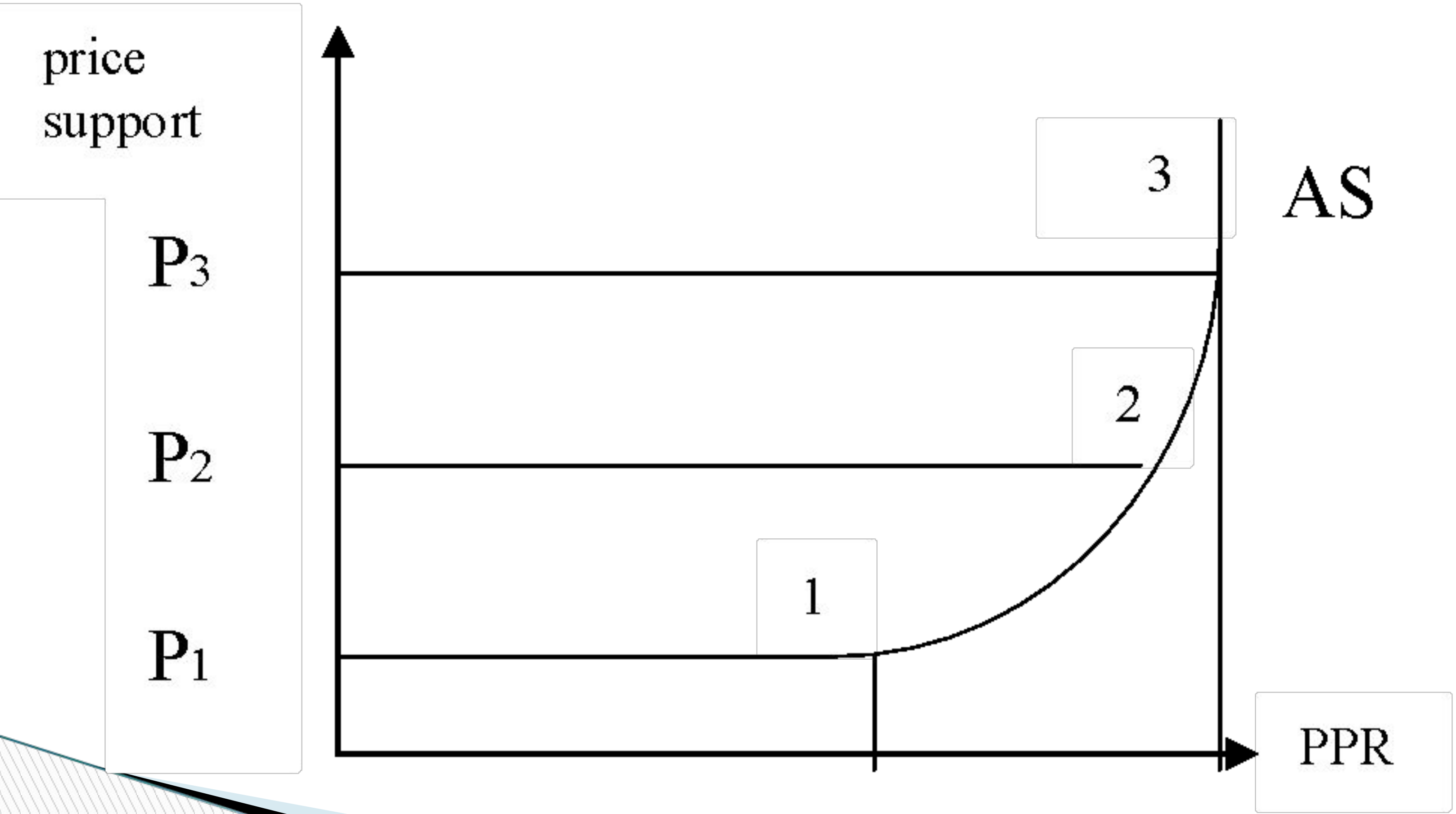
Factors determine a curve AD

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

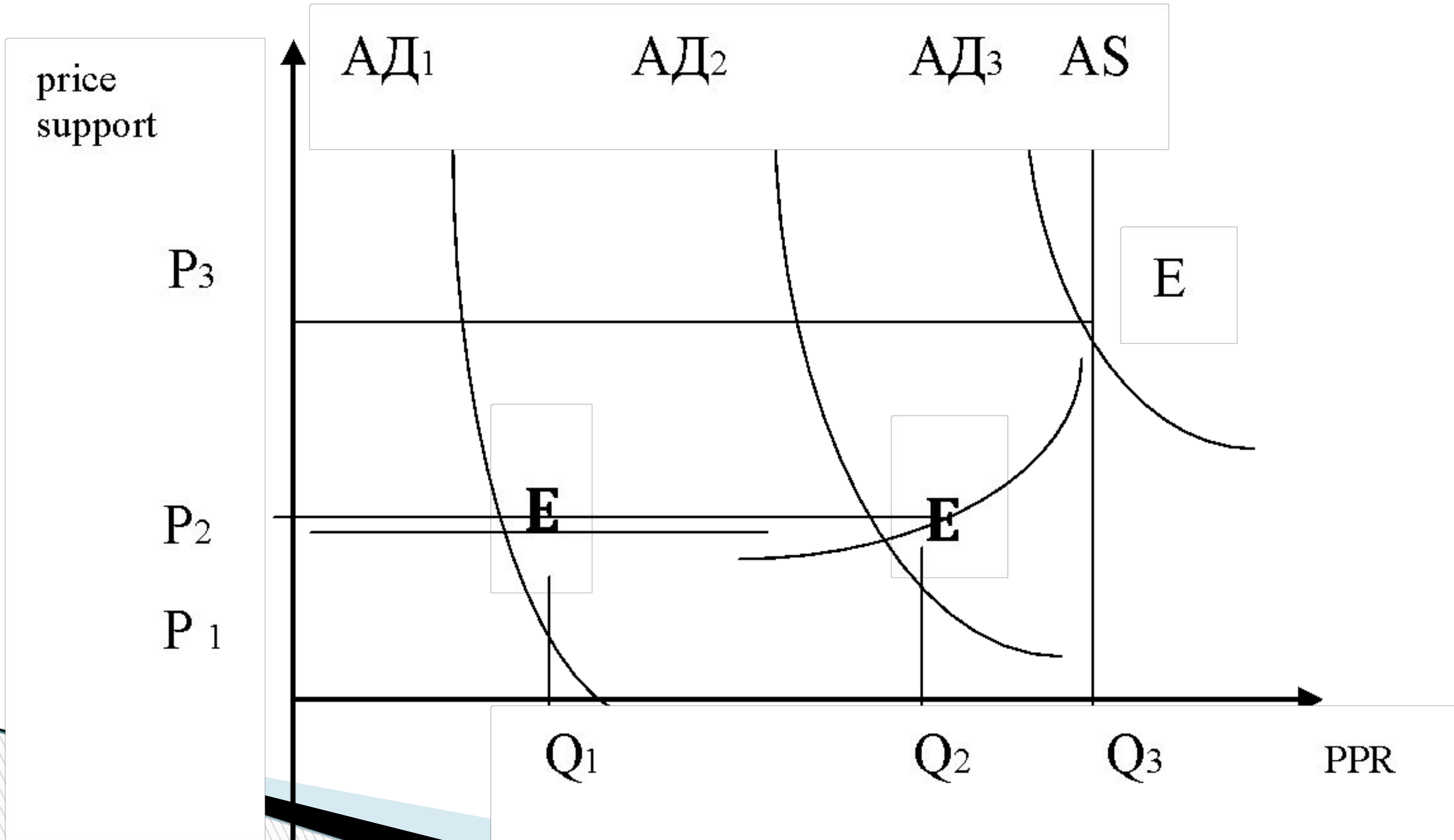
Aggregate supply (AS) - this is a curve that shows the actual cash amount produced, for any given price level.



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
- Qs (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. .