

Examrace

Aggregate Supply

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The total supply of goods and services produced within an economy at a given overall price level in a given time period.

It is the total amount of goods and services that firms are willing to sell at a given price level in an economy.

- Short run AS
- Long run AS

Aggregate Supply Curve

Shows relationship between nation's overall price level and the quantity of goods and services produce by that nation's suppliers

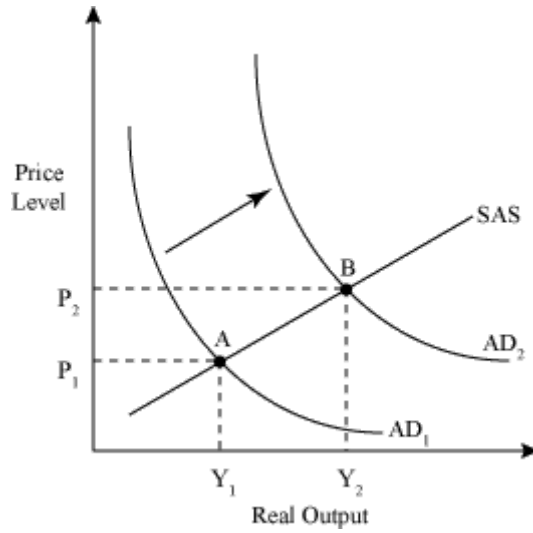
There is a positive relationship between aggregate supply and the price level. Rising prices are usually signals for businesses to expand production to meet a higher level of aggregate demand.

The curve is upward sloping in the short run and vertical, or close to vertical, in the long run.

Short-Run and Long-Run Macroeconomics Equilibrium

The equilibrium in the short-run is depicted by the intersection of the Aggregate Demand (AD) curve and the Short-Run Aggregate Supply (SAS) curve. When either AD or SAS shifts, the equilibrium point is changed.

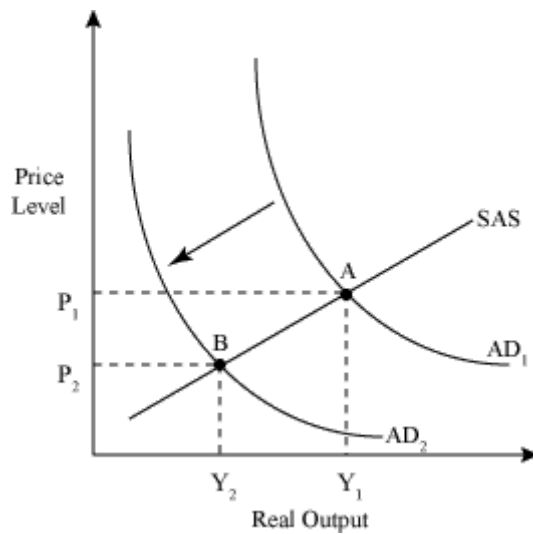
Graph 1: Shift to the right of the AD curve will cause the equilibrium output as well as the price level to increase.



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Graph 1

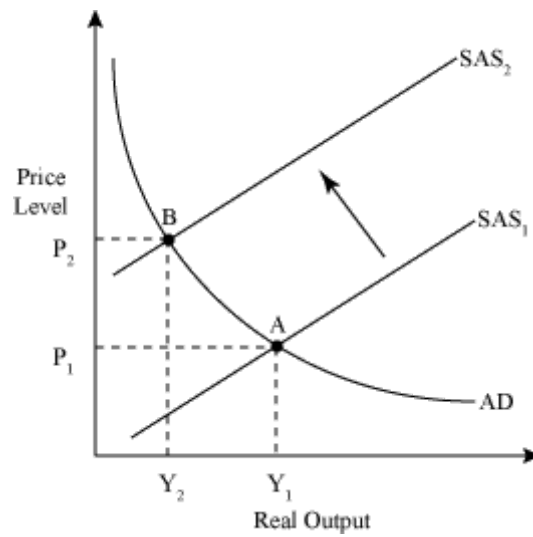
Graph 2: If the AD curve were to shift to the left, opposite would be true: output and price level will decrease.



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Graph 2

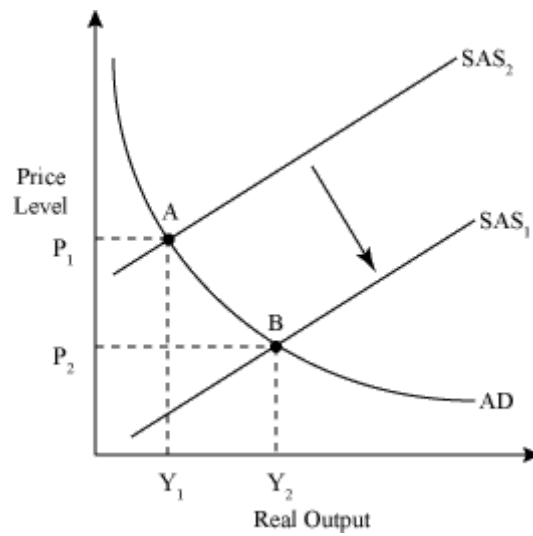
Graph 3: A shift to the left in SAS, will cause the price level to rise while equilibrium output will decrease.



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Graph 3

Graph 4: Shift to the right of SAS curve, will decrease price level and increase output.



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Graph 4

Output level is higher than what is consistent with full employment

For details refer

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