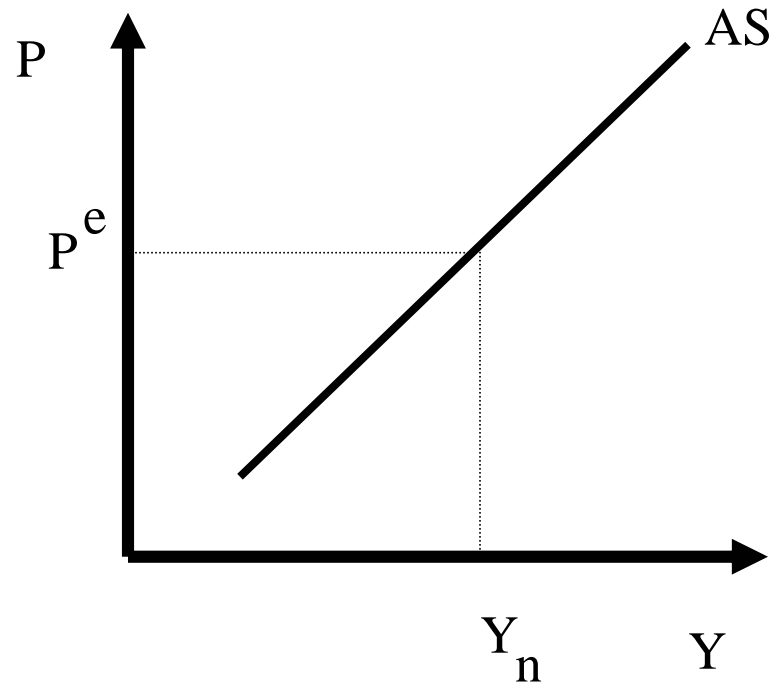


# Lecture 13: Aggregate Supply and Aggregate Demand

- Aggregate supply
- Aggregate Demand
- Shocks

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



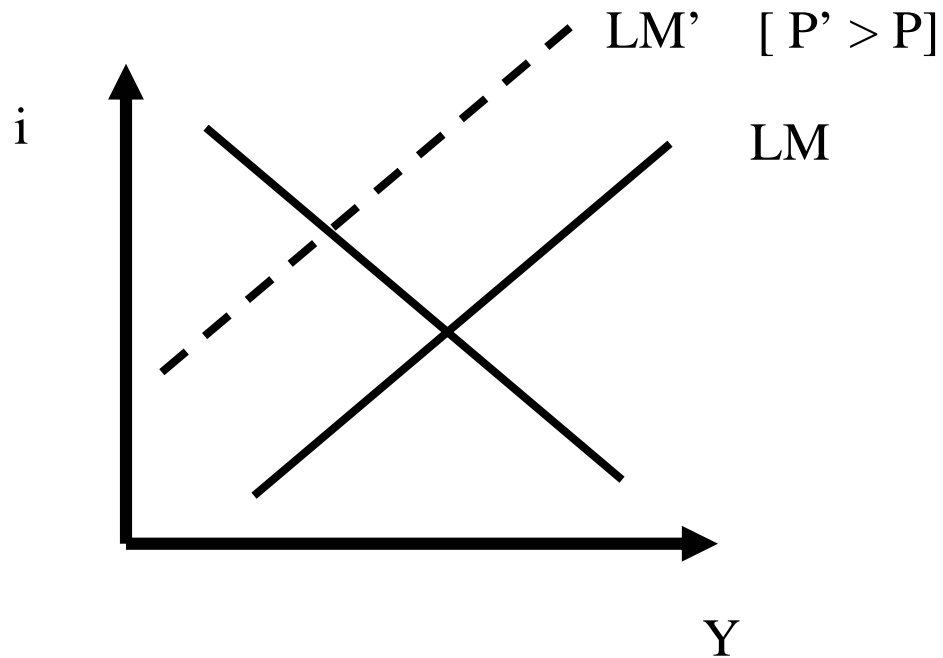
$$P^e(t) = P(t-1) \quad [\text{for now}] \quad \Rightarrow$$

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

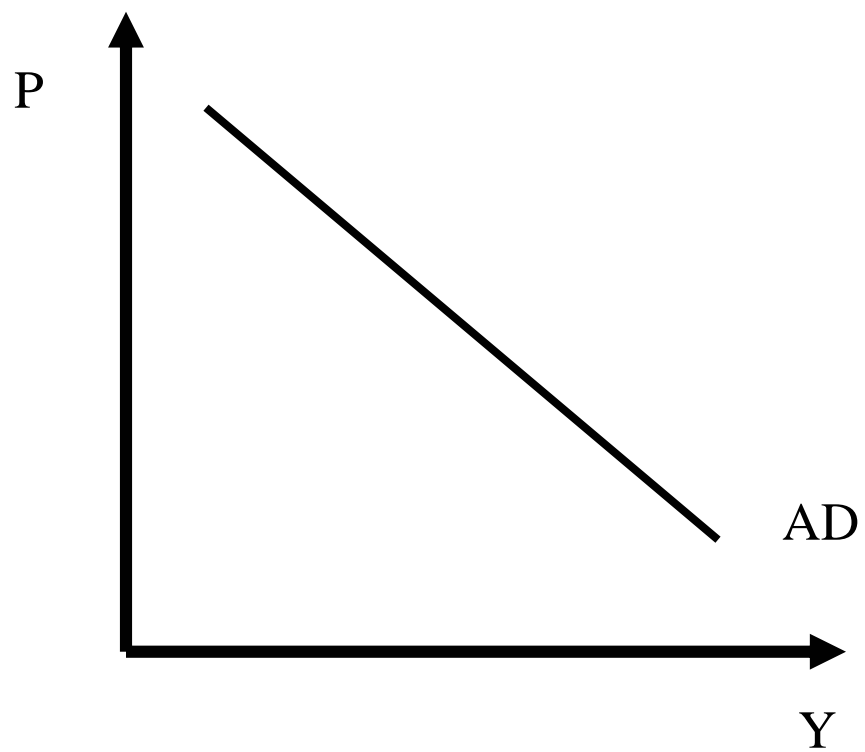
# Aggregate Demand

$$\text{IS: } Y = C(Y-T) + I(Y,i) + G$$

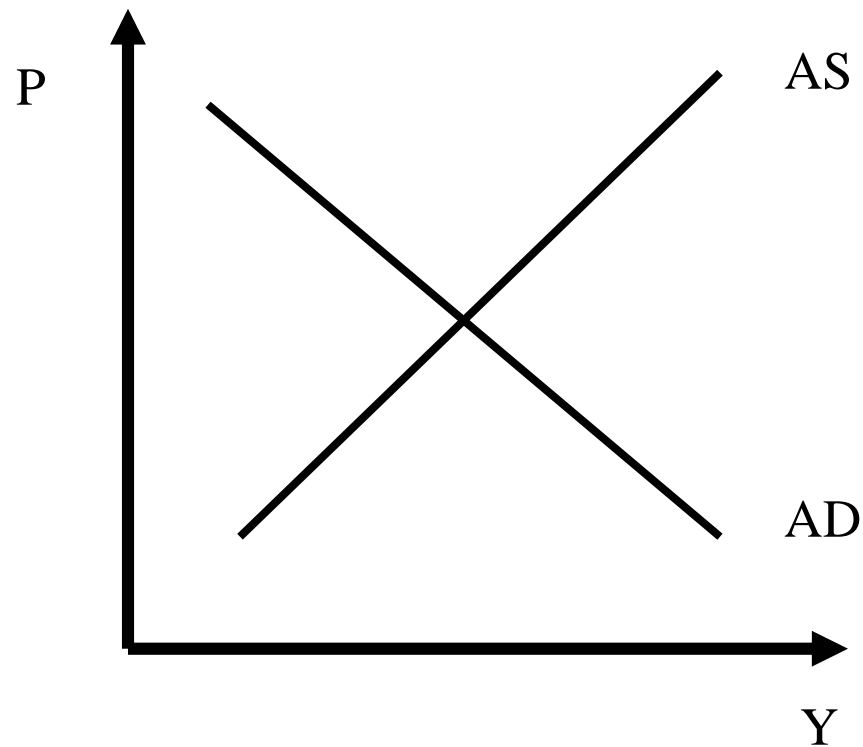
$$\text{LM: } \frac{M}{P} = Y L(i)$$



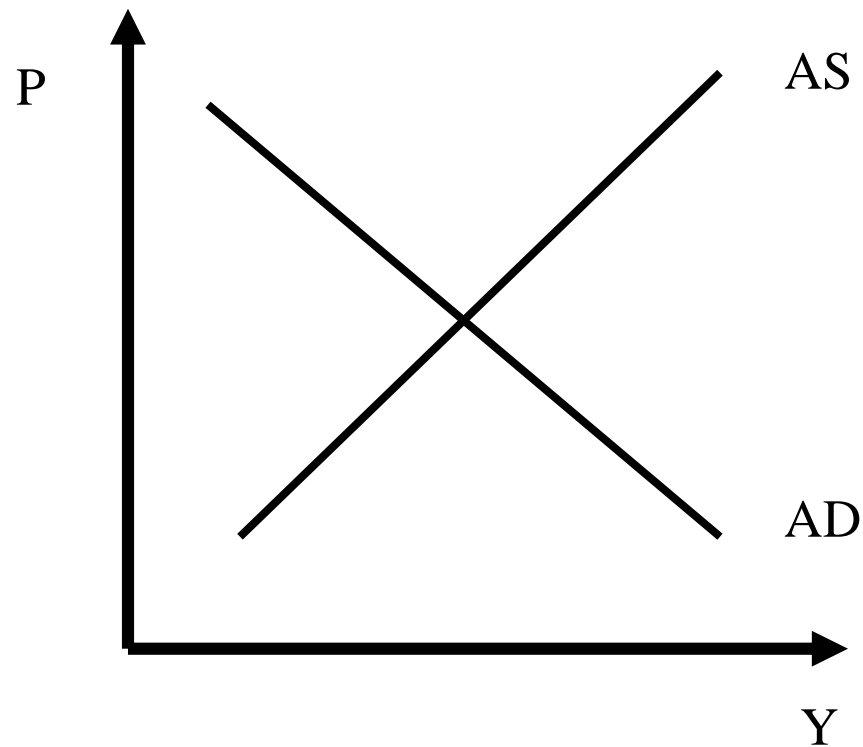
AD:  $Y = Y(M/P, G, T)$   
          +    +   -



# 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)