Lecture 13: Aggregate Supply and Aggregate Demand

• Aggregate supply
• Aggregate Demand
• Shocks
\[ P = P^e (1 + \mu) F(1 - Y/L, z) \]

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

\[ \text{AS: } P(t) = P(t-1) (1 + \mu) F(1 - Y(t)/L, z) \]
Aggregate Demand

IS: \[ Y = C(Y-T) + I(Y,i) + G \]

LM: \[ \frac{M}{P} = Y L(i) \]

[\[ P' > P \] ]
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)