**Objective: Correctly set-up an AS-AD Model. Describe how the Aggregate Supply-Aggregate Demand Model can be used to represent and predict changes in GDP, inflation, and unemployment. Explain the short-run vs. the long-run.**

|  |  |
| --- | --- |
| Purpose of model:How is AD/AS modified from the Demand/Supply model?  | Aggregate Demand & Aggregate Supply |
|  (Draw)Why is Aggregate Demand still downward sloping? 1.
2.
3.

What shifts AD? + + + = GDP! | Aggregate Demand |
| Why does it slope up?1.
2.

What shifts AS?*
*
*
 | Aggregate Supply |
| Draw and Label | Macroeconomic EquilibriumDraw the AD/AS Model with their corresponding PPC. (Below FE, At FE, and Above FE.)  |
| What is the difference?  | Short run vs. Long Run – Explanation |

**Recap: Correctly set-up an AS-AD Model. Describe how the Aggregate Supply-Aggregate Demand Model can be used to represent and predict changes in GDP, inflation, and unemployment. Explain the short run vs. the long run.**

Adapted from: https://sites.google.com/a/jeffcoschools.us/apmacro/unit-4