

Ch10: Real GDP and Price Level in the Long Run

What is the definition of aggregate supply?

How is the LRAS represented on a macrograph?

What is a second way of thinking about the LRAS in terms of employment in an economy?

List several factors from Chapter 9 that contributes to an increase in the LRAS (a shift out in the LRAS) within an economy.

What happens to Real GDP and per capita real GDP when growth occurs?

Which factors impact the total expenditures in an economy (as explained in Chapters 7 and 8)?

What is the definition of aggregate demand?

What is the aggregate demand curve?

What happens to the aggregate demand when price levels rise?

What are the three main reasons that the aggregate demand curve slopes down?

1. real balance effect (wealth effect)
2. interest rate effect
3. open economy effect

What happens to the aggregate demand when the level of prices fall (deflation)?

Why is the micro demand curve different from the aggregate demand curve?

List three non-price determinants that will cause the aggregate demand curve to shift up with increase in aggregate demand.

1.

2.

3.

List three non-price determinants that will cause the aggregate demand curve to shift down with a decrease in aggregate demand.

1.

2.

3.

What happens to price levels when economic growth occurs and aggregate demand is stable?

In recent years, which has been a bigger economic problem, secular deflation or secular inflation?

On the supply side, what can lead to inflation?

On the demand side, what can lead to inflation?

Which has been the main cause of inflation in the last 40 years?