



[Frequently Asked Questions]

Aggregate Supply and Aggregate Demand Model - I

Subject:	Business Economics
Course:	B. A. (Hons.), 3 rd Semester, Undergraduate
Paper No. & Title:	Paper – 301 Macroeconomics - I
Unit No. & Title:	Unit – 3 Aggregate Supply and Aggregate Demand Model
Lecture No. & Title:	Lecture – 1 Aggregate Supply and Aggregate Demand Model - I

Frequently Asked Questions

Q1. What is Aggregate Supply?

A1. It is the total supply of goods and services produced within an economy at a given overall price level in a given time period.

Q2. Define Aggregate Demand.

A2. The aggregate demand is the amount of money which entrepreneurs expect to get by selling the output produced by the number of labourers employed.

Q3. Explain in brief the concept of effective demand.

A3. It represents an equilibrium position which actually is realized, while at all other point's aggregate demand is either greater or less than aggregate supply.

Q4. Why is aggregate Demand curve sloping downward?

A4. This is because for a given amount of money, a lower price level provides more purchasing power per unit of currency.

Q5. Why is aggregate supply curve sloping upward?

A5. It is because the AS curve is drawn using a nominal variable, such as the nominal wage rate. In the short-run, the nominal wage rate is fixed.

Q6. What do you mean by the term Aggregate Supply?

A6. Aggregate supply is the total supply of goods and services produced within an economy at a given overall price level in a given time period.

Q7. What do aggregate supply and aggregate demand determine?

A7. Aggregate supply and aggregate demand determines total supply or total demand for the economy, and how total demand and total supply interact at the macroeconomic level.

Q8. What do the aggregate supply and the aggregate demand curve explain us?

A8. The aggregate demand curve explains us the quantity of all goods and services demanded in the economy at any given price level while on the other hand aggregate supply curve explains us the total quantity of goods and services that firms produce and sell at any given price level.

Q9. What do you understand by effective demand?

A9. Effective Demand is that aggregate demand price which becomes effective, because it is equal to aggregate supply price and thus represents a position of 'short-run' equilibrium.

Q10. What do you mean by aggregate demand?

A10. The amount of money which entrepreneurs expect to get by selling the output produced by the number of labourers employed.