

# Equilibrium: Aggregate Demand - Aggregate Supply

Complete the following table:

Real Output Demanded (in \$ Trillion) by:						
Price Level	Consumers	Investors	Government	Net Exports	Agg't Demand	Agg't Supply
110	92	16	20	12		260
100	104	17	20	14		210
90	116	18	20	16		170
80	128	19	20	18		135
70	140	20	20	20		100

What is the equilibrium level of GDP? \$ \_\_\_\_\_ trillion

What is the equilibrium price level? \$ \_\_\_\_\_

If full employment occurs at real GDP = \$200 trillion, how large is the gap?

\$ \_\_\_\_\_ trillion

Which macro problem exists here (unemployment or inflation)?

\_\_\_\_\_

Suppose government spending increases by \$55 trillion at every price level in the forgoing problem.

What will be the new equilibrium GDP? \$ \_\_\_\_\_ trillion

What is the new equilibrium price level? \$ \_\_\_\_\_

If full employment is the same, how large is the gap?

\$ \_\_\_\_\_ trillion

Which macro problem exists now? \_\_\_\_\_

Complete the following table:

Real Output Demanded (in \$ Trillion) by:						
Price Level	Consumers	Investors	Government	Net Exports	Agg't Demand	Agg't Supply
110	92	16	20	12	140	260
100	104	17	20	14	155	210
90	116	18	20	16	170	170
80	128	19	20	18	185	135
70	140	20	20	20	200	100

What is the equilibrium level of GDP? \$ 170 trillion

What is the equilibrium price level? \$ 90

If full employment occurs at real GDP = \$200 trillion, how large is the gap?

\$ 30 trillion

Which macro problem exists here (unemployment or inflation)?

unemployment

Suppose government spending increases by \$55 trillion at every price level in the forgoing problem.

What will be the new equilibrium GDP? \$ 210 trillion

What is the new equilibrium price level? \$ 100

If full employment is the same, how large is the gap?

\$ -10 trillion

Which macro problem exists now? inflation