Aggregate Demand (AD):

Aggregate demand represents the total quantity of goods and services demanded by all sectors of the economy at various price levels, holding other factors constant.

Components of Aggregate Demand:

- Consumption (C): Total consumer spending on goods and services.
- Investment (I): Total investment spending by businesses on capital goods, such as machinery and buildings, and by households on new homes.
- Government Spending (G): Total government expenditure on goods and services.
- Net Exports (X-M): Total exports (X) minus total imports (M).

Aggregate Demand Curve (AD Curve):

- Downward Sloping: The AD curve slopes downward from left to right, indicating an inverse relationship between the price level and the quantity of real GDP demanded.
- Shifts: The AD curve can shift due to changes in consumption, investment, government spending, or net exports.

Aggregate Supply (AS):

Aggregate supply represents the total quantity of goods and services produced by all sectors of the economy at various price levels, holding other factors constant.

- Flat Part: At the start of the SRAS curve, businesses can make more stuff without raising prices much.
- Going Up: As they start making more and using up resources, they'll need to charge higher prices to keep making even more.

The flat part of the SRAS curve means businesses can produce more stuff without raising prices much because they have extra resources and costs don't go up quickly.

Shifts in Aggregate Demand (AD) Curve:

The AD curve shows how much stuff people and businesses want to buy at different price levels.

What Makes the AD Curve Shift?

1. Changes in Consumer Spending:
   - If people are spending more, the AD curve shifts to the right.
   - If people are spending less, the AD curve shifts to the left.
2. Changes in Investment:
   - If businesses are investing more, the AD curve shifts to the right.
   - If businesses are investing less, the AD curve shifts to the left.
3. Changes in Government Spending:
   - If the government is spending more, the AD curve shifts to the right.
   - If the government is spending less, the AD curve shifts to the left.
4. Changes in Net Exports:
   - If exports increase or imports decrease, the AD curve shifts to the right.
   - If exports decrease or imports increase, the AD curve shifts to the left.

Shifts in Aggregate Supply (AS) Curve:

The AS curve shows how much stuff businesses are willing to produce at different price levels.

What Makes the AS Curve Shift?

1. Changes in Input Prices:
   - If the cost of resources like labor and materials goes up, the AS curve shifts to the left.
   - If the cost of resources goes down, the AS curve shifts to the right.
2. Changes in Productivity:
   - If businesses become more productive, the AS curve shifts to the right.
   - If businesses become less productive, the AS curve shifts to the left.
3. Supply Shocks:
   - Positive supply shocks, like technological advancements, shift the AS curve to the right.
   - Negative supply shocks, like natural disasters, shift the AS curve to the left.

Conclusion:

- AD Curve Shifts: Changes in consumer spending, investment, government spending, and net exports shift the AD curve.
- AS Curve Shifts: Changes in input prices, productivity, and supply shocks shift the AS curve.

Remember, when the curves shift, the equilibrium price and quantity in the economy change!

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