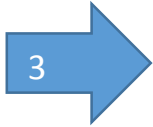
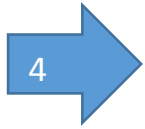


# AP Economics Unit 7: National Income Accounting and AS/AD



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## AGGREGATE DEMAND and AGGREGATE SUPPLY

Hypothesize on how Employment, while not expressed on the AS/AD model, can be inferred from it.

Describe the relationship between the components of AE and AD.

- Distinguish between changes in AD and movements along AD as a result of Price Level Changes
- Comprehend the congruency between AE and AD

Distinguish between changes in AS and movements along AS as a result of Price Level Changes.

- Illustrate the shape of SRAS v LRAS

Differentiate between SRAS and LRAS.

- Describe the connection between the PPC and LRAS.

On an AS/AD Model, illustrate:

- Price level, Output and Equilibrium

Retrieve/Recall the:

- Determinants of AD
- Determinants of C and I
- Determinants of AS

## MACRO EQUILIBRIUM and ECONOMIC GROWTH

Evaluate the shape of SRAS. Does elasticity matter?

- Investigate the difference in philosophy between sticky and flexible price/wage models

Extrapolate how economies reach LR equilibrium from recessionary and inflationary gaps.

- Gap > PL Change > COI (Wage) change > Correction

On a AS/AD Model, illustrate:

- Changes to AD, SRAS and LRAS.
- Periods of recession and inflation

Define Economic Growth and list the factors that contribute to it.

- What is Econ Growth's impact on the AS/AD model?
- Public Policy and Growth
- What is the best evidence of Economic Growth

Retrieve/Recall

- RGDP
- Price Level
- Full Employment
- Recessionary or Contractionary Gap
- Inflationary of Expansionary Gap

## MULTIPLIERS

Predict how an economist might use the AS/AD model to teach policy makers about the effects of government budgeting.

Utilize your knowledge of SSM and STM.

- Calculate the 1<sup>st</sup> round RGDP impact as a result of changes to spending and taxing.
- Calculate the estimate of all rounds combined.

Quantify the impact spending and taxing may have on AD.

- Calculate the initial change to AE when C or NT changes.
- Fiscal Policy

Describe the SSM and STM concepts.

- Identify them as mathematical estimations that present an eroding factor to seemingly unlimited changes.

Retrieve/Recall the:

- Marginal Propensity to Consume (MPC)
- Marginal Propensity to Save (MPS)
- Simple Spending Multiplier (SSM)
- Simple Taxing Multiplier (STM)