

Guided Reading Activity

Fiscal Policy

Lesson 3 *Macroeconomic Equilibrium*

Review Questions

Directions: Read each main idea and answer the questions below. Refer to your textbook as you write the answers.

A. Aggregate Supply

Main Idea: Aggregate supply is the total value of goods and services that all firms would produce in a given period of time, at various price levels.

1. How is aggregate supply related to macroeconomics?

2. What causes aggregate supply to rise and fall?

B. Aggregate Demand

Main Idea: Aggregate demand is the total value of all goods and services that would be bought at different price levels.

1. Why is aggregate demand a concept and not a concrete number?

Guided Reading Activity *cont.*

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2. How is aggregate demand usually represented?

3. What factors can increase or decrease aggregate demand?

C. Macroeconomic Equilibrium

Main Idea: Macroeconomic equilibrium is reached when aggregate supply and aggregate demand are equal.

1. Which two major problems in macroeconomics do aggregate supply and aggregate demand help us understand?

2. Explain the positive and negative side to bringing the economy closer to macroeconomic equilibrium through demand-side policies.

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3. What is the best-case scenario on a macroeconomic level of supply-side policies?

4. What is the best way to try and achieve a stable macroeconomic equilibrium?

Summary and Reflection

Directions: Summarize the main ideas of this lesson by answering the question below.

How can mathematical graphs help us implement macroeconomic policy?
