

3.5 Equilibrium in the Aggregate Demand–Aggregate Supply (AD–AS) Model

Name: _____ Class: _____ Date: _____

Total: 8 marks

Objective

Build the skills to answer exam questions on **equilibrium in the AD–AS model**.

You must be able to:

- locate **short-run macroeconomic equilibrium** 短期宏观均衡 where AD meets SRAS
- determine the equilibrium **price level** and **real output**
- identify a **recessionary gap** or an **inflationary gap** by comparing with full-employment output

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ Short-run equilibrium

Where the **AD** curve crosses the **SRAS** curve —this fixes the equilibrium **price level** and **real output**.

■ Spotting a gap

Compare equilibrium output with **full-employment** output (the LRAS line):

- below full employment → **recessionary gap**;
- above full employment → **inflationary gap**.

2 Practice

2.1 State where short-run macroeconomic equilibrium occurs. [1]

2.2 State how to identify a recessionary gap on the AD–AS diagram. [1]

2.3 Define an inflationary gap. [1]

3 Exam-style questions

3.1 Short-run macroeconomic equilibrium is where AD meets [1]

- A LRAS
 - B SRAS
 - C the price axis
 - D the origin
-

3.2 If equilibrium output is below full-employment output, there is a [1]

- A inflationary gap
 - B recessionary gap
 - C trade surplus
 - D boom
-

3.3 An economy's short-run equilibrium output is **above** its potential output.

(a) Name the gap. [1]

(b) State what is likely happening to the price level. [1]

(c) State whether unemployment is above or below the natural rate. [1]

4 Go further

- work through the **3.5 Equilibrium in the AD–AS Model** lesson on the **Learn** page;
- read the **National Income and Price Determination** section of the AP Macroeconomics handout on the **Know** page.

Solutions

2.1 where the AD curve intersects the SRAS curve.

2.2 equilibrium output lies to the left of (below) full-employment output.

2.3 the gap when equilibrium output is above potential (full-employment) output.

3.1 B.

3.2 B.

3.3 (a) an inflationary gap. (b) it is rising. (c) below the natural rate.