**RWS#5: Introduction to Aggregate Demand and Aggregate Supply Curves**

**Due for: Monday 20th January 2020**

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| **GENERAL INSTRUCTIONS:**  *Please complete a revision worksheet summarizing the work from the last two weeks. The work should be taking you* ***up to 2 hours*** *to complete and should consist of a 1 A4 double paged summary based on the questions below. Please print out a double sided version to be handed in and marked on the date above (emails will not be accepted so make sure you are printing off your sheet before the lesson).*  *Remember to use all of the space over your two sides of A4 and make sure the ‘margins’ in Word are put as ‘narrow’. Feel free to reduce the size of the font if you are running out of space but nothing less than size 10. A better way to reduce would be to reread what you have written and try to be more succinct; it must fit onto two sides of A4 only!*  *You should be reading and using all the compulsory resources below (remember you will have already read an awful lot of these for homework and in class but there are a few extras I want you to read.*  *This revision worksheet should be taking you 2.5 hours…I suggest you spend 45 minutes writing up all your notes from class into a rough draft. Then, spend the next hour reading any extra information or clarifying concepts if you do not understand them. Then use the final 45 minutes to edit the work, make it look pretty and print it off.*  *REMEMBER THAT IF YOU DO NOT HAVE A PRINTER AT HOME YOU MUST FIND TIME BEFORE THE LESSON TO PRINT IT OFF AT COLLEGE*  *ALSO MAKE SURE THAT AS WELL AS STORING A COPY ON A MEMORY STICK, YOU ALSO EMAIL YOURSELF SO THERE CAN BE NO COMPUTER ISSUES WHEN IT COMES TO PRINTING OFF YOUR WORK* |
| **SOURCES**  **COMPULSORY (YOU MUST USE)**   * Notes you have taken in class and from your PREP homework (including the macro booklets and questions sheets * Powerpoint   **EXTENSION (IF YOU HAVE TIME, TRY TO READ 1 or 2 OF THESE – I am not sure you will be able to read all of them!!!)**   * Class Textbook – pp169-181; 183-185 to complement the booklet in class * Economics Help and Tutor2U websites   **ALL OF THESE RESOURCES CAN BE FOUND ON GODALMING ONLINE – ANY ISSUES, EMAIL OLLY on** [**ods@godalming.ac.uk**](mailto:ods@godalming.ac.uk) |

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| **SPECIFIC INSTRUCTIONS:**  **TITLE: RWS5 – Introduction to Aggregate Demand (AD) and Aggregate Supply (AS)**   1. **Overview of AD (1/4 side of A4)**    1. Define aggregate demand (AD) with a diagram, state the percentages of the four components of AD (i.e. which component has more weight) and explain why the AD curve is downward sloping    2. What shifts the AD Curve?    3. What are the similarities and differences between a Demand curve in Microeconomics and an Aggregate Demand Curve in Macroeconomics? 2. **Aggregate Supply (Classical Model) (3/4 side of A4)**    1. Classical Aggregate Supply: Draw a short run and long run Aggregate Supply curve and explain why they are shaped as they are    2. What will shift the Classical SRAS curve? (HINT: Think costs of production and oil prices in particular…why are oil prices so important to an economy?    3. What will shift the Classical LRAS curve? (remember to give an example for quality and quantity of labour and capital)    4. Compare the LRAS curve to the PPF diagram? What are the similarities? 3. **Components of AD (1 side of A4)**  |  |  |  |  | | --- | --- | --- | --- | | **Consumption**  **(C)** | **Investment**  **(I)** | **Government Spending**  **(G)** | **Net Exports**  **(X-M)** | | 1. Define using examples 2. Explain what ‘saving’ is using examples 3. Explain why lowering unemployment might boost AD 4. ‘Evaluate this idea using the concept of the marginal propensity to consume’ | 1. Define using examples 2. Explain why a decrease in interest rates would effect AD because of changes in investment? 3. Using the concept of the accelerator to evaluate the argument above | 1. Define Government Spending using examples 2. Define taxation using examples 3. Explain the difference between a budget deficit and surplus 4. Explain how an increasing budget deficit could increase AD 5. How do Governments borrow and what is the ‘National debt’? Why might an increasing budget deficit be a ‘bad thing’ for the Government? | 1. Explain why an increase in exports will lead to an increase in AD and why an increase in imports will lead to a fall in AD. 2. Explain the influence a changing exchange rate might have on AD? 3. What is the ‘multiplier effect’? | |