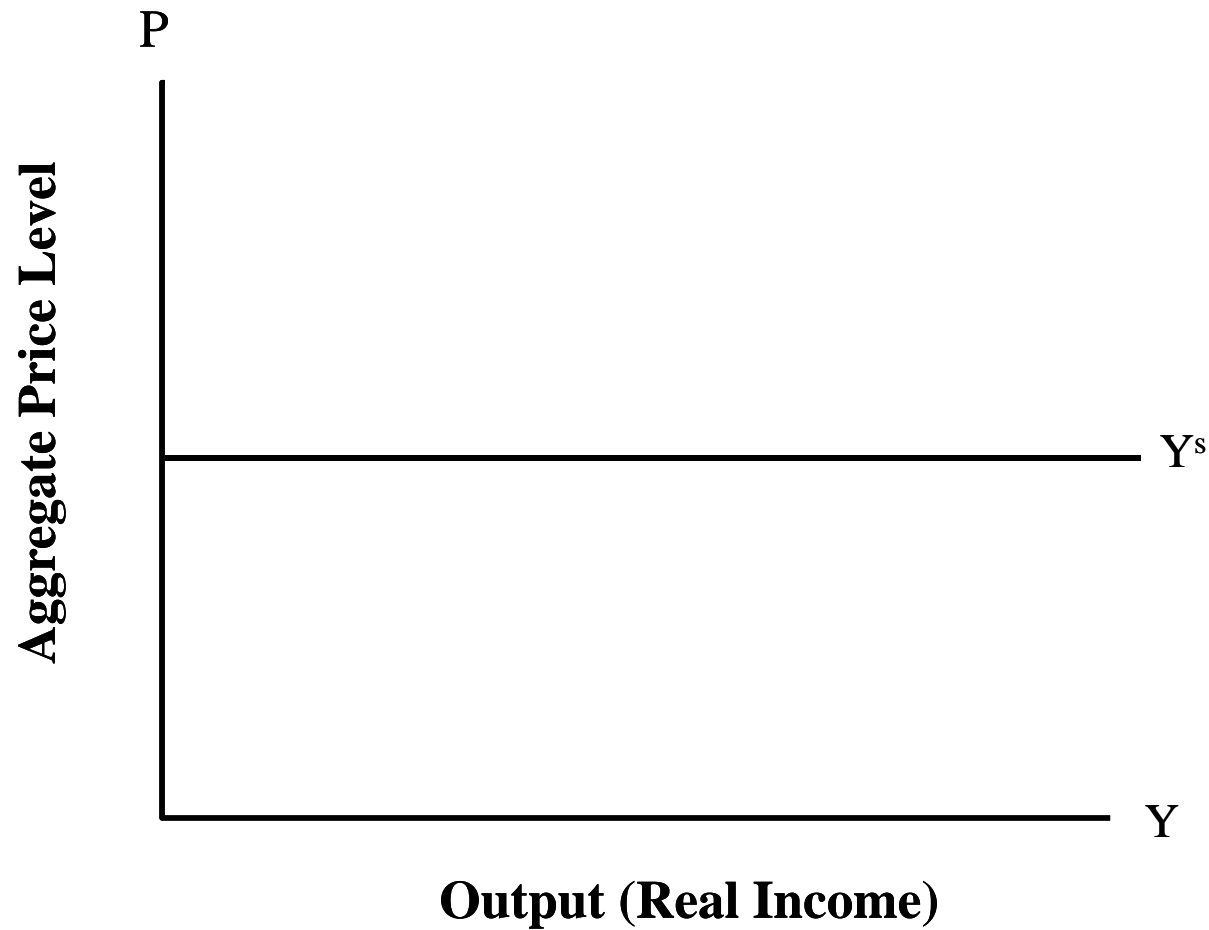


# EE 312: Macroeconomics Theory

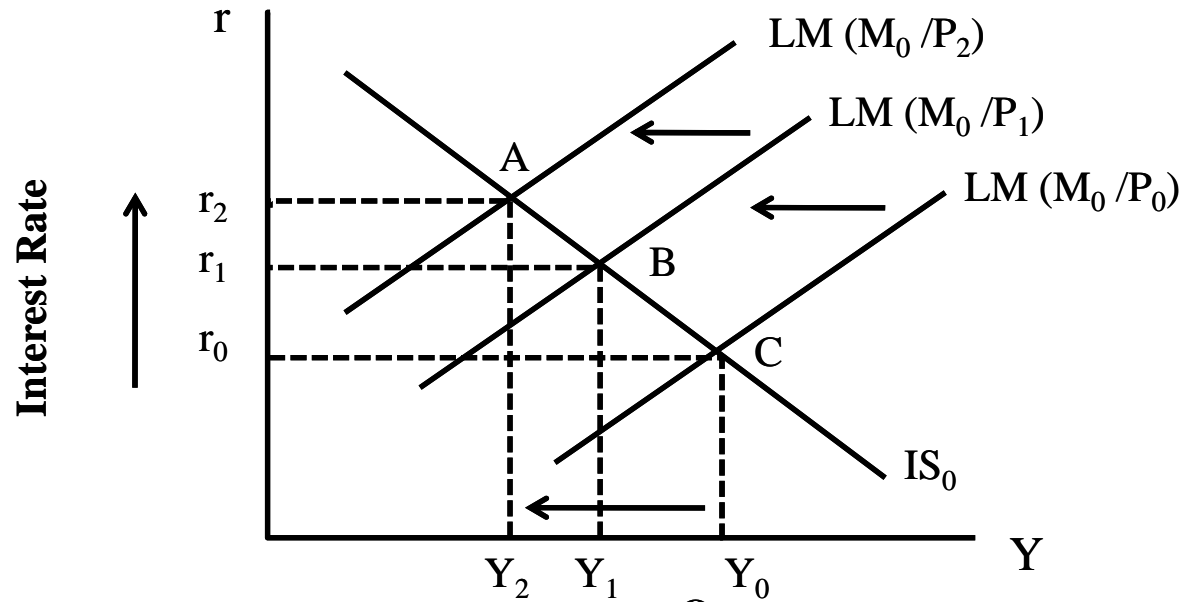
## Keynesian Aggregate Demand and Aggregate Supply

# Aggregate Supply Schedule in the Fixed-Price Keynesian Model (plausible when output is far below the capacity of the economy)

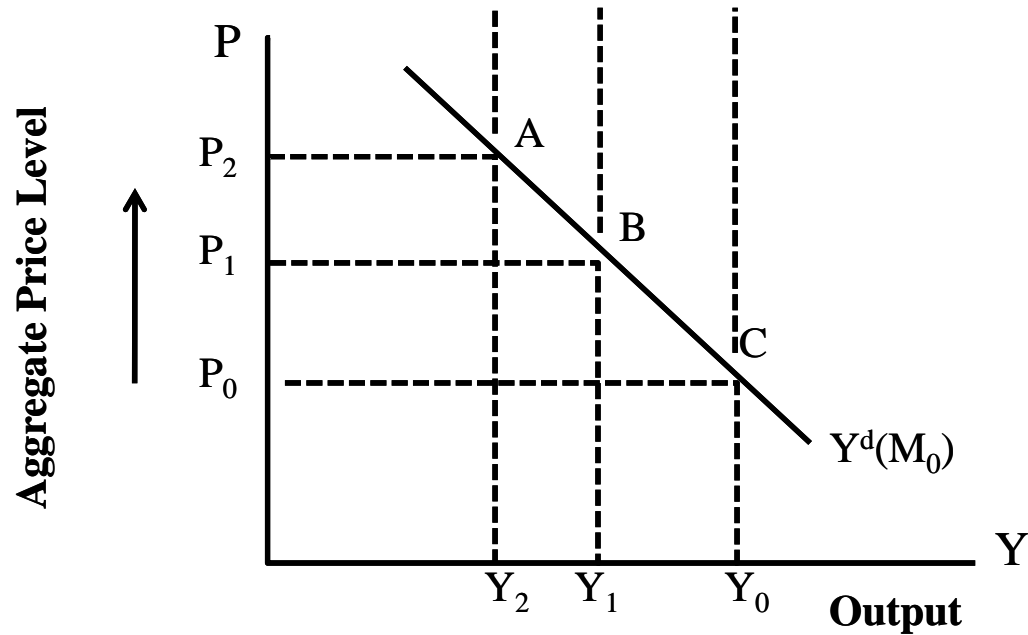


# **Construction of the Aggregate Demand Schedule**

**a. Effect of Price Changes on the LM Schedule**

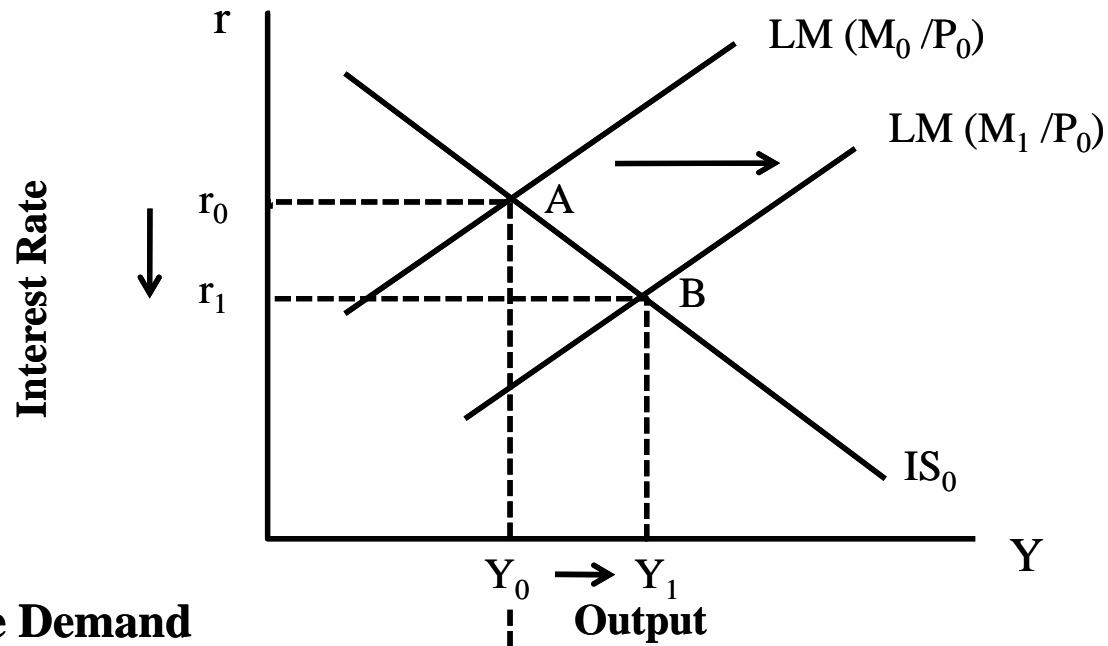


**b. Keynesian Aggregate Demand Schedule**

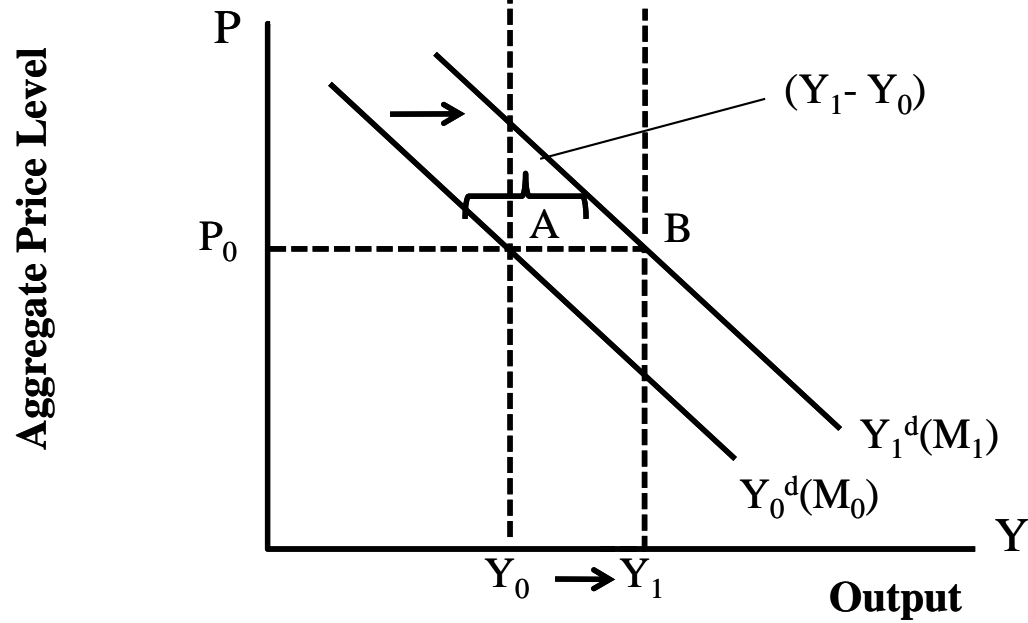


# **Effect on Aggregate Demand of an Increase in the Money Supply**

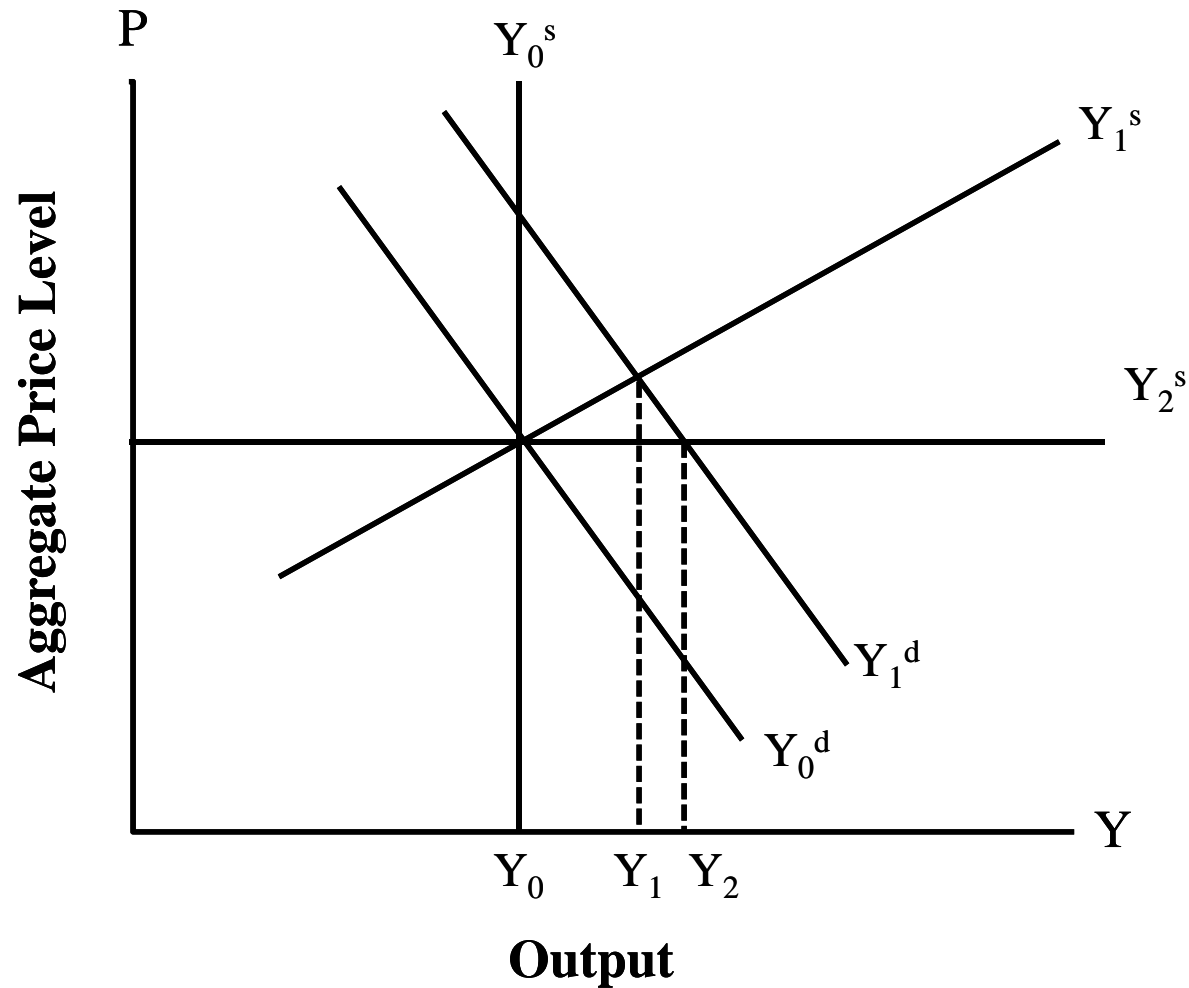
**a. IS and LM Schedule**



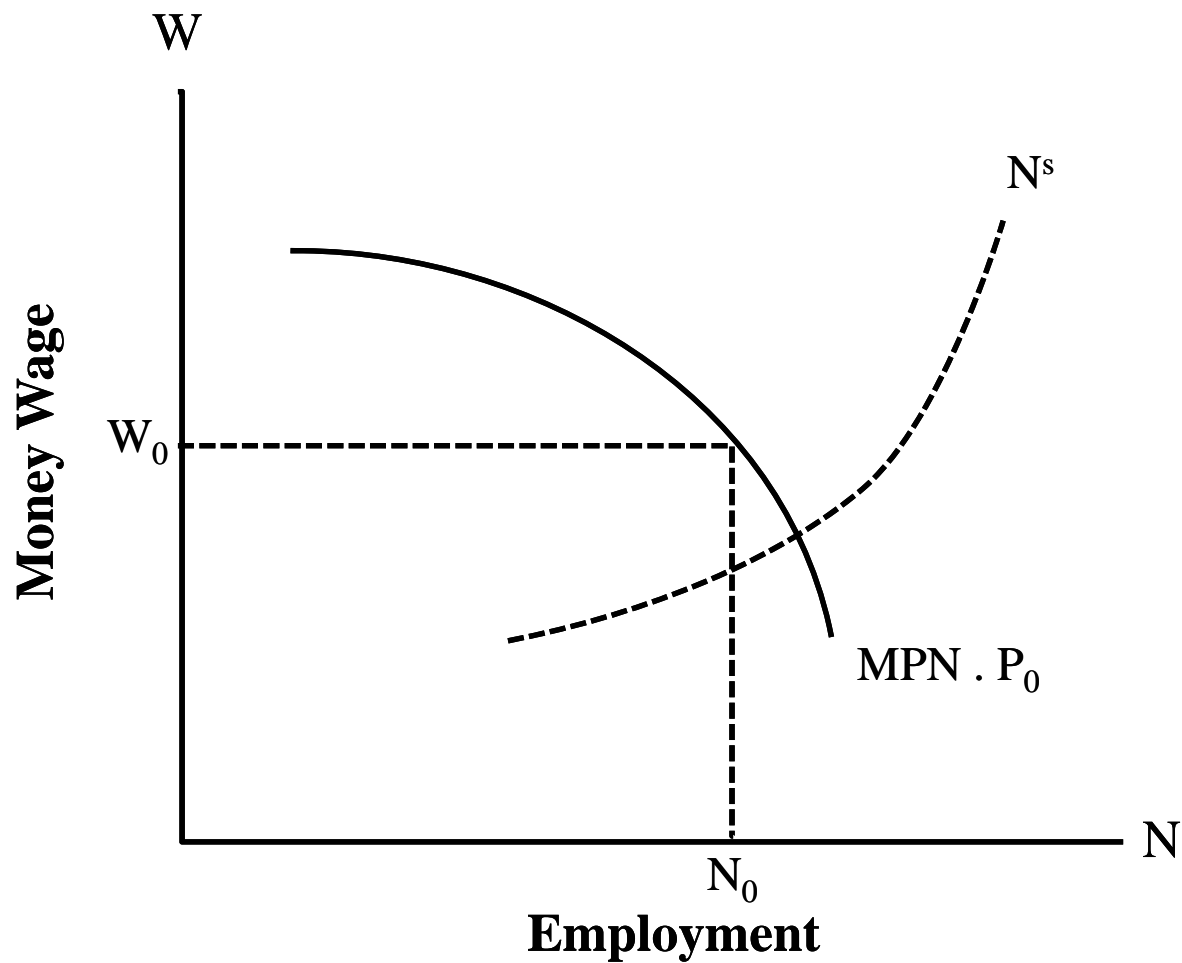
**b. Aggregate Demand**



# Role of Aggregate Supply in Determining the Output Response to a Policy Shock

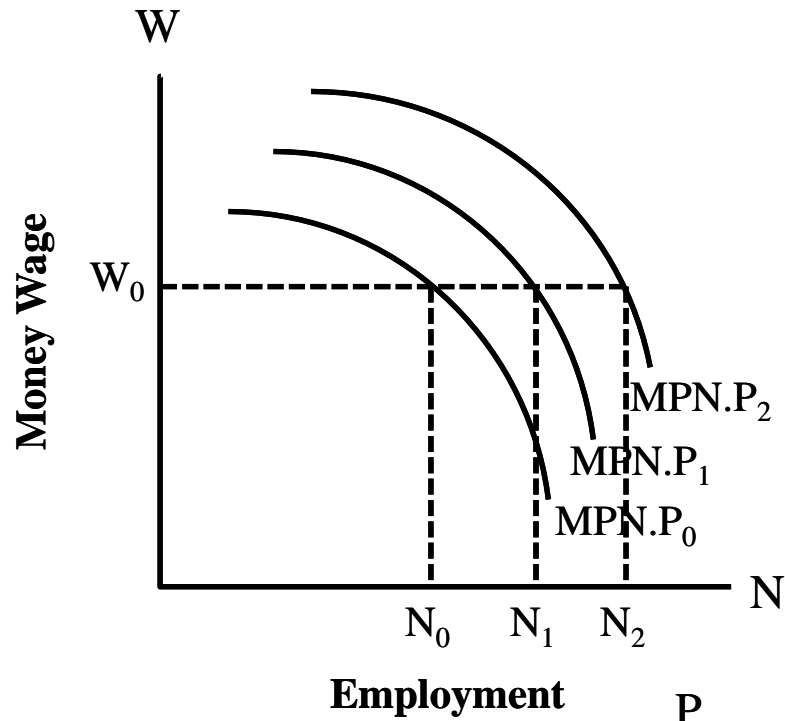


# Employment with a Fixed Money Wage

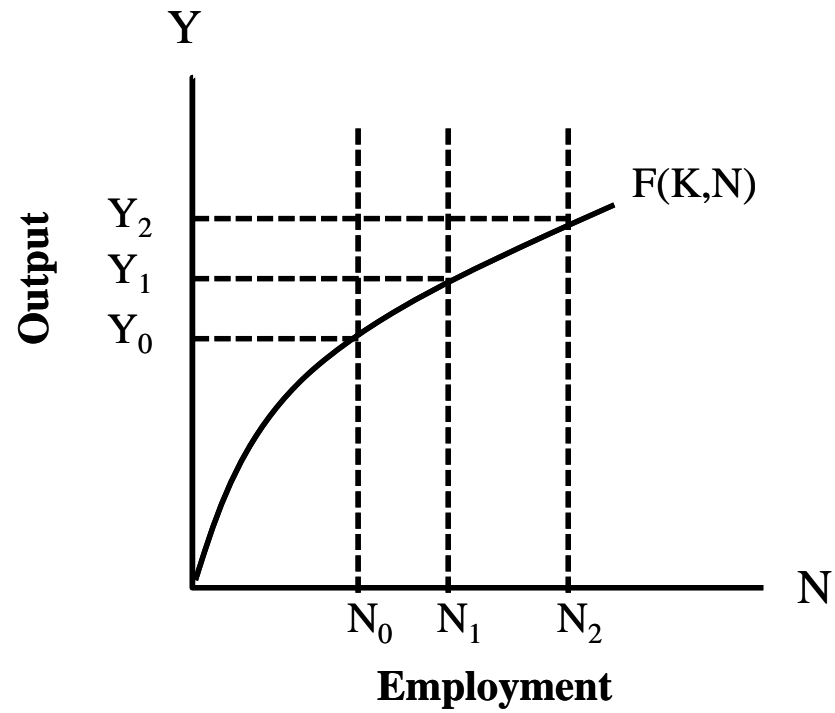


# **The Keynesian Aggregate Supply Schedule When the Money Wage is Fixed**

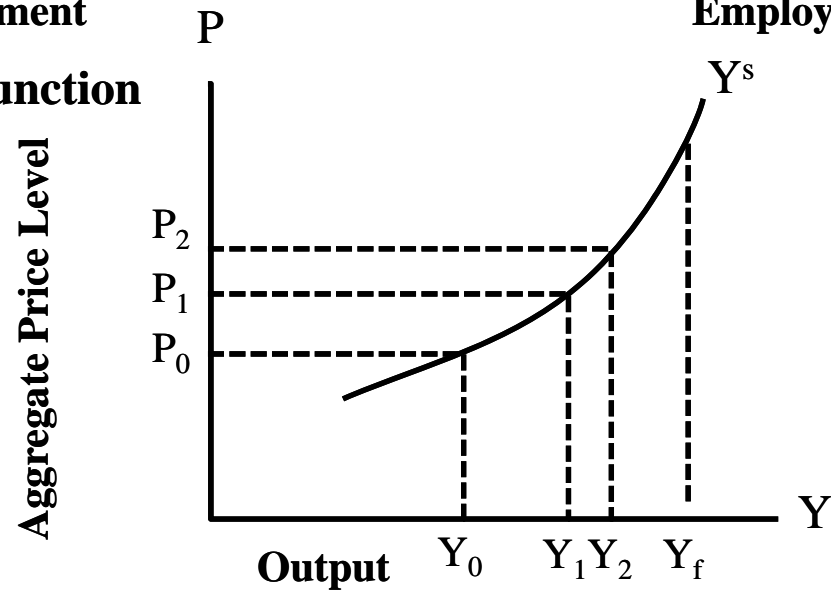
**a. Labor Demand**



**b. Production Function**

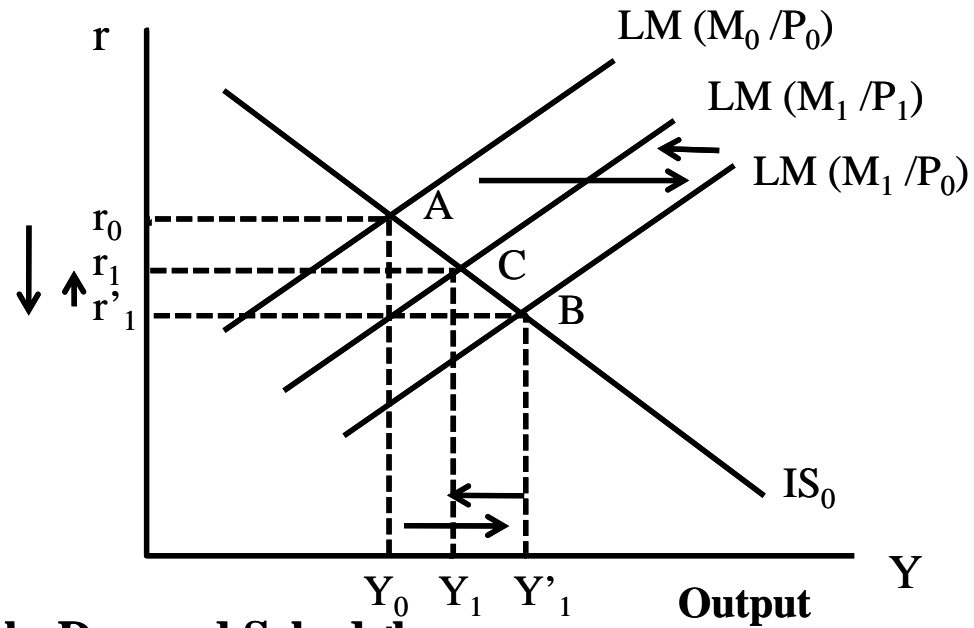


**c. Aggregate Supply Function**

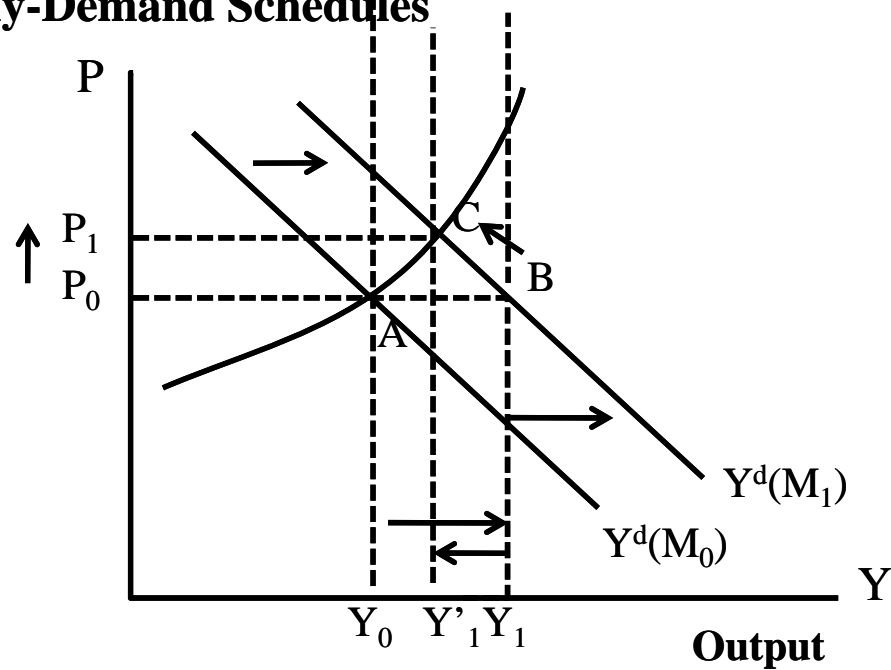


# **Effects of an Increase in the Money Supply When the Price Level is Flexible**

**a. IS - LM Schedule**

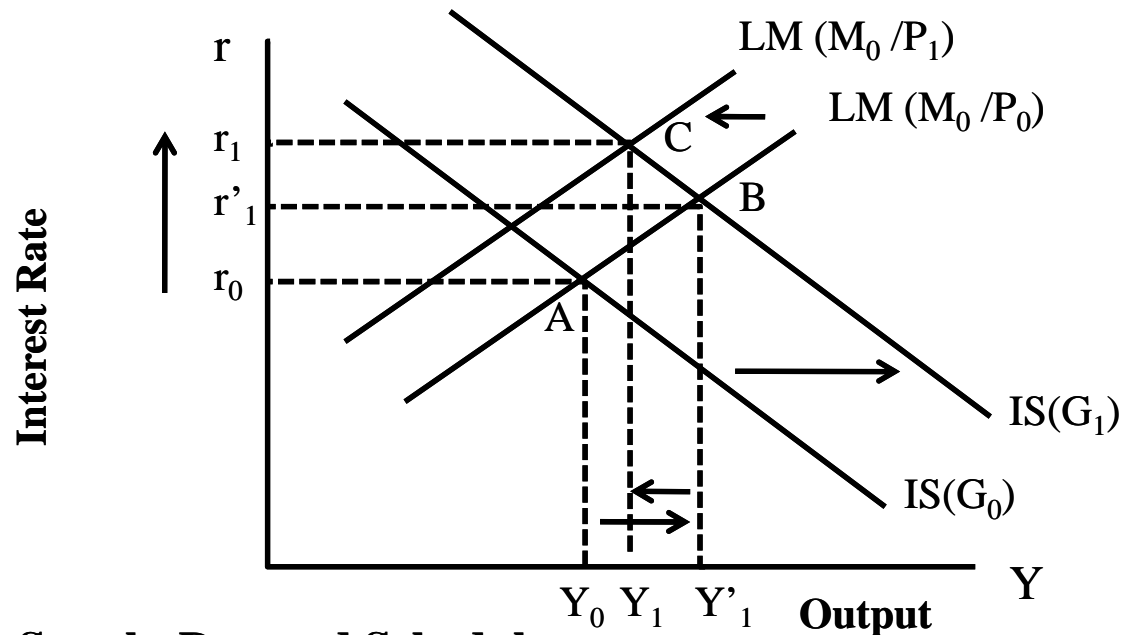


**b. Aggregate Supply-Demand Schedules**

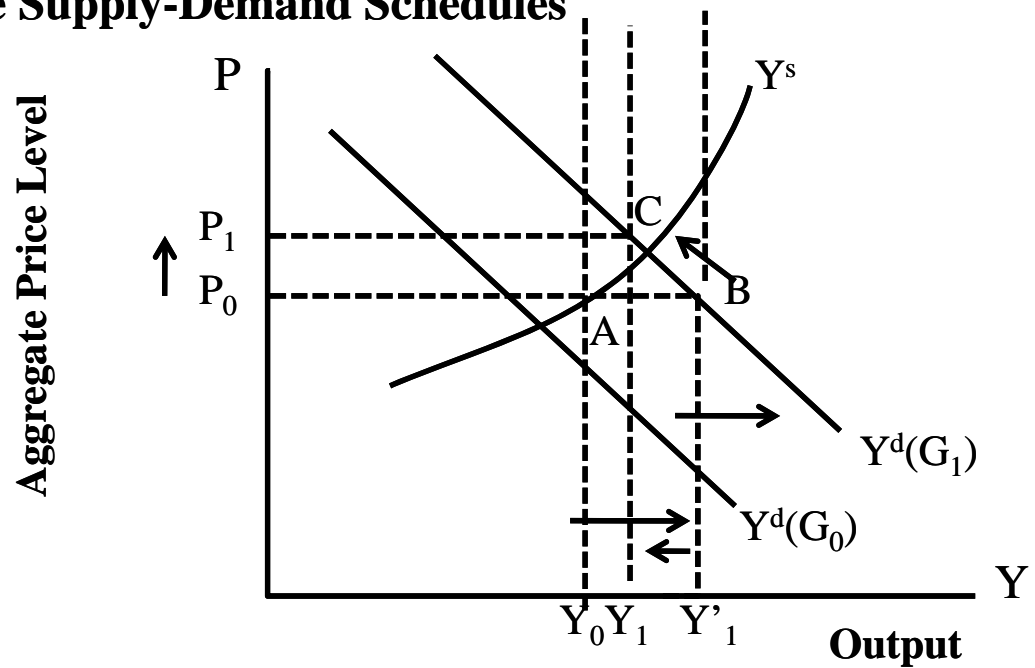


# **Effects of an Increase in Government Spending When the Price Level is Flexible**

**a. IS - LM Schedule**

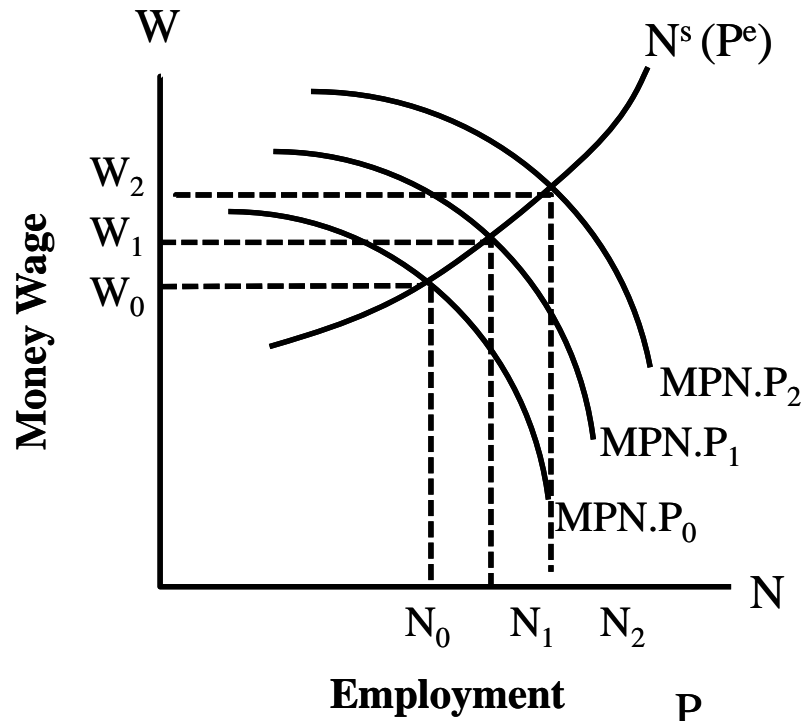


**b. Aggregate Supply-Demand Schedules**

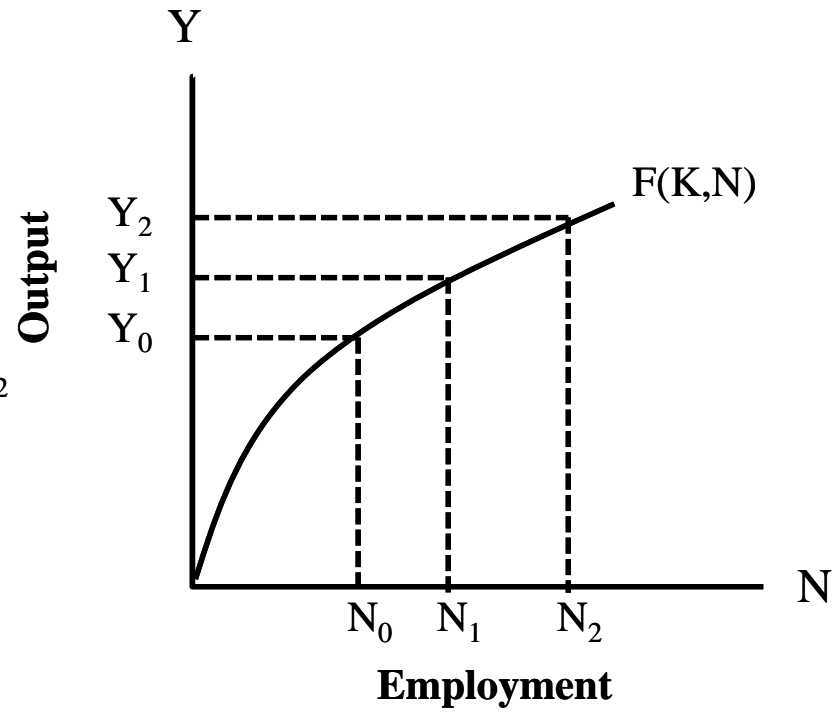


# **The Keynesian Aggregate Supply Schedule When the Money Wage is Variable**

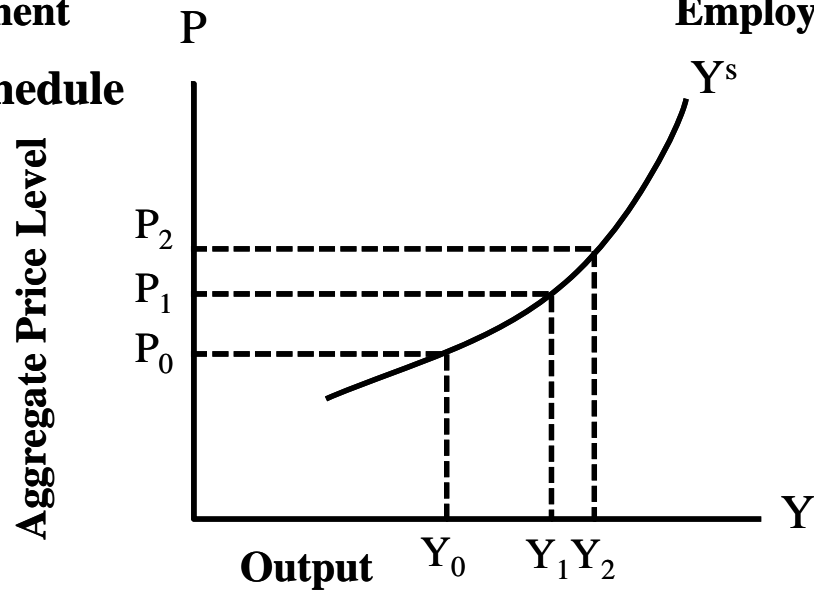
**a. Labor Demand and Supply**



**b. Production Function**

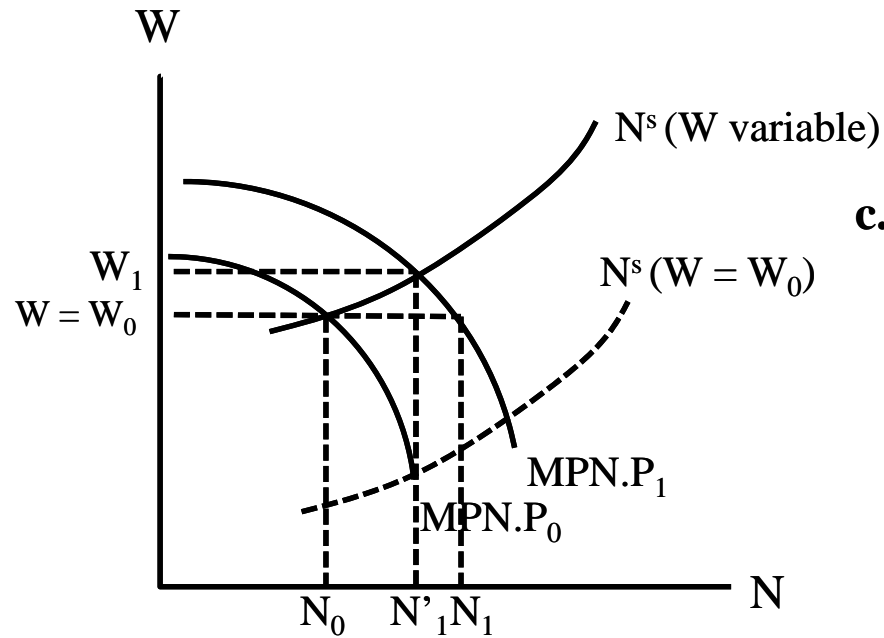


**c. Aggregate Supply Schedule**

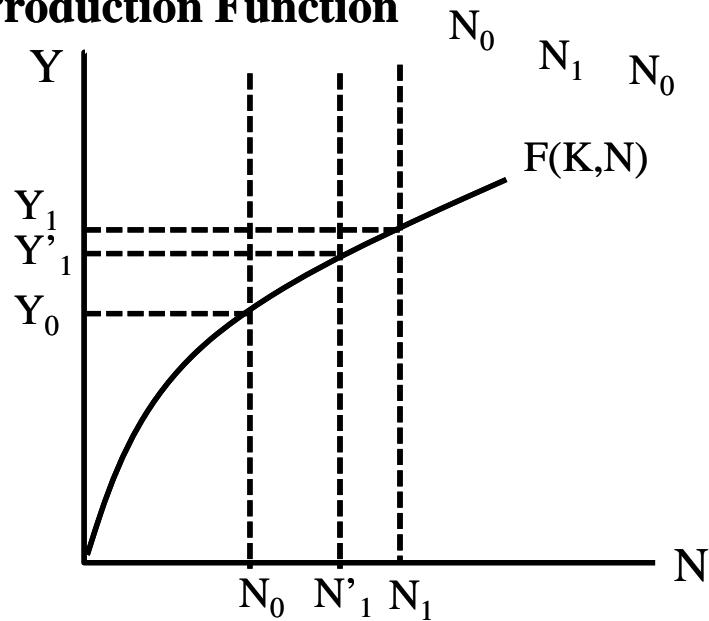


# **Keynesian Aggregate Supply Schedules for the Fixed- and Variable-Money-Wage Cases**

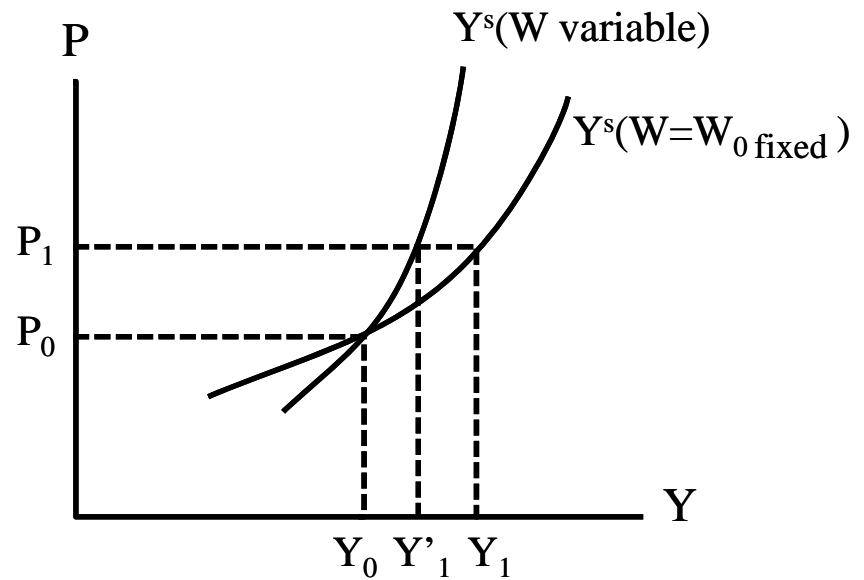
### a. Labor Supply and Demand



### b. Production Function

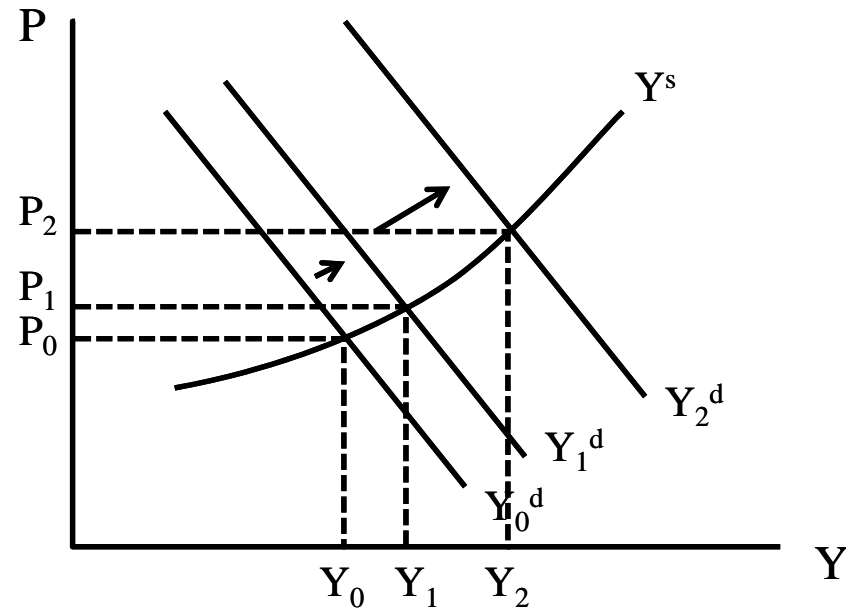


### c. Alternative Aggregate Supply Functions

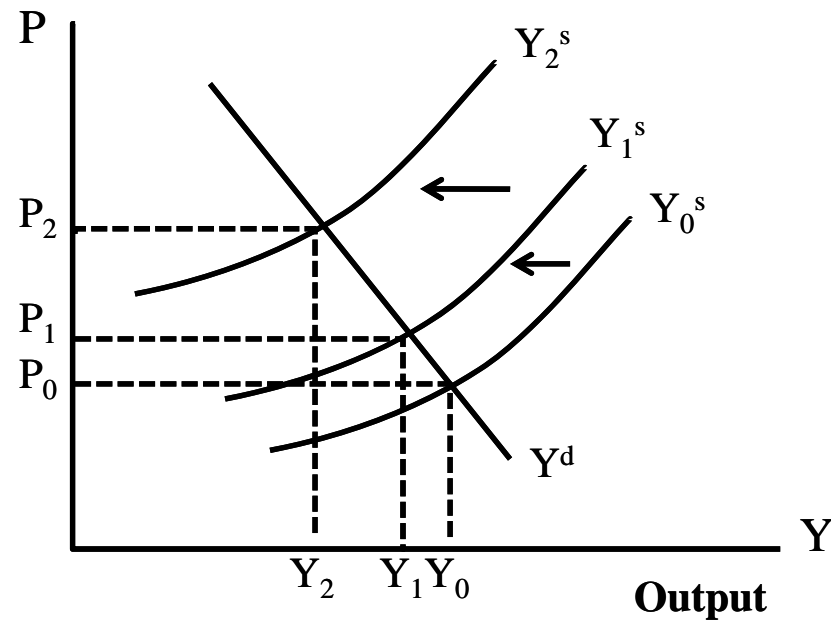


# **Price and Output Variations with Shifts in Aggregate Demand and Supply**

**a. Price and Output Variations with Shifts in Aggregate Demand**

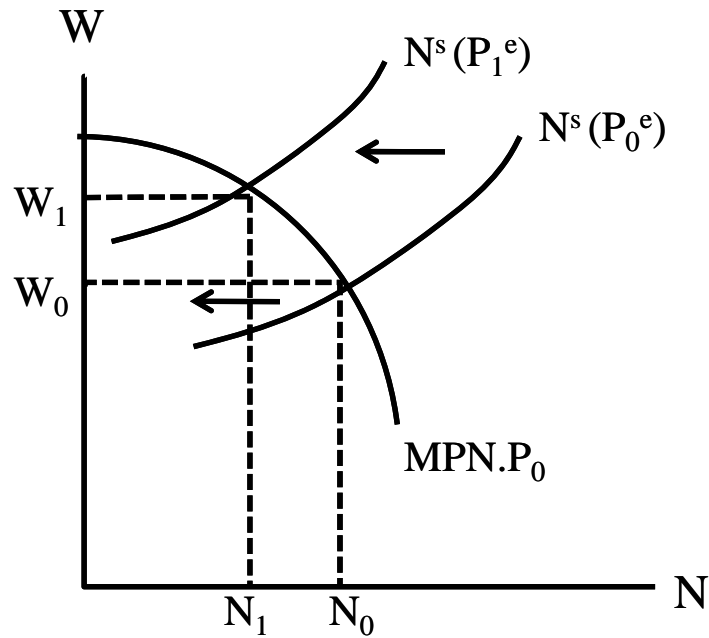


**b. Price and Output Changes with Shifts in Aggregate Supply**

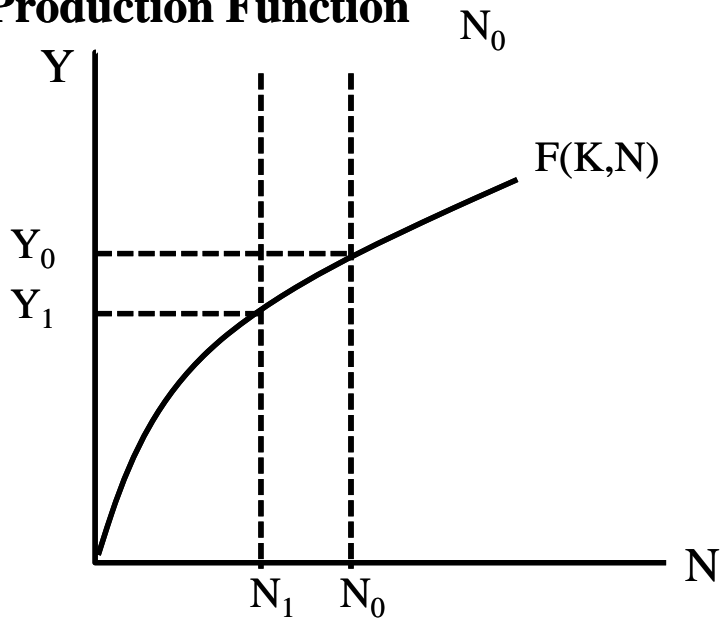


# **Shift in the Aggregate Supply Schedule with an Increase in the Expected Price Level**

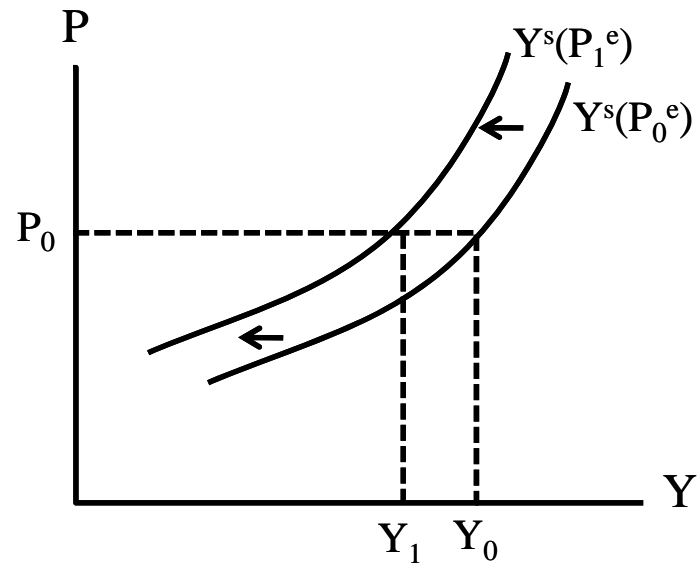
**a. Labor Supply and Demand**



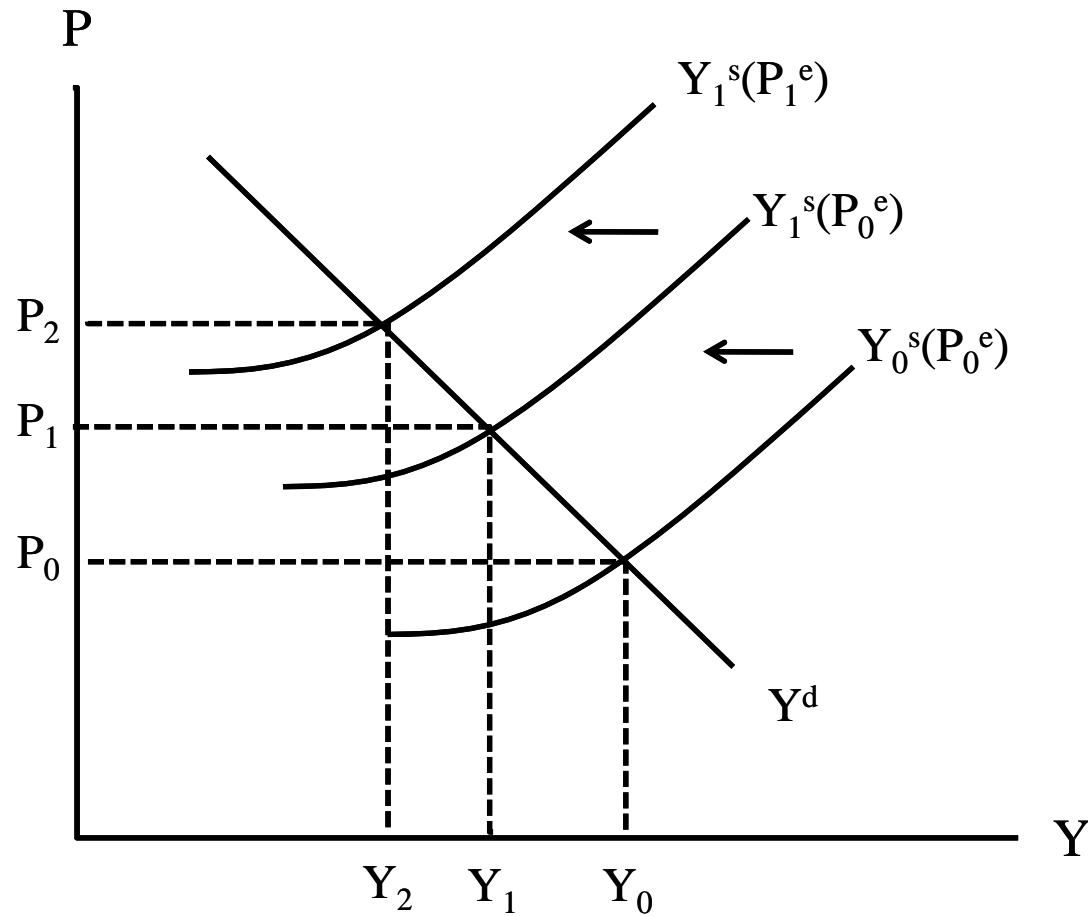
**b. Production Function**



**c. Aggregate Supply Schedule**

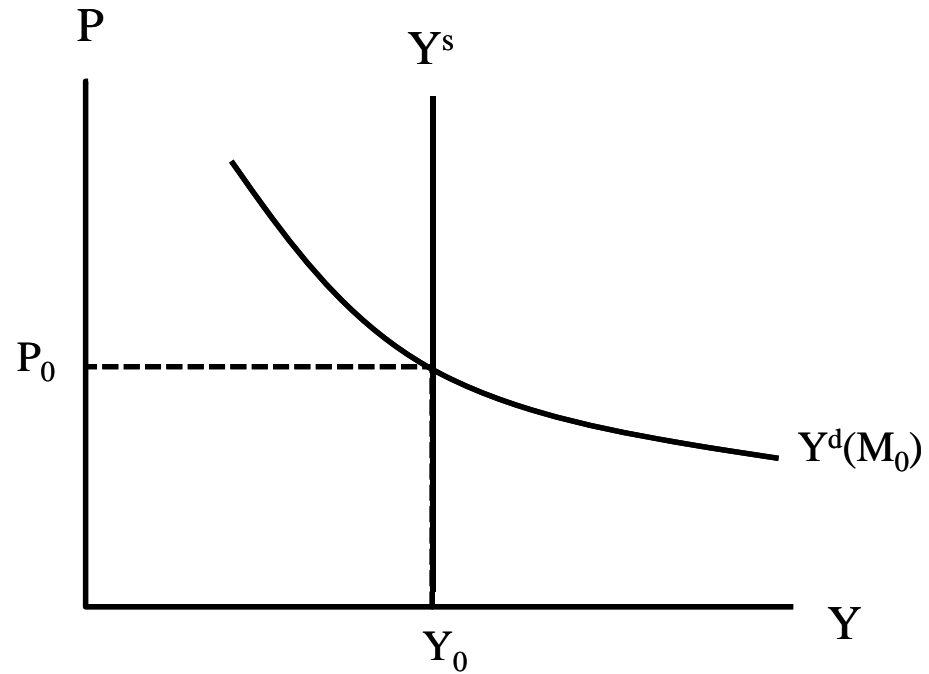


# Effects of an Autonomous Increase in the World Price of Energy Inputs



# Aggregate Supply and Demand Schedules

## a. Classical Case



## b. Keynesian Case

