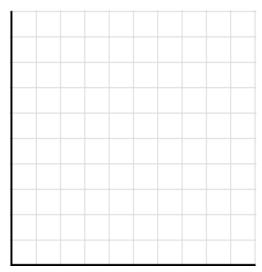
CONCEPT: EQUILIBRIUM IN THE AD-AS MODEL

• The aggregate demand and aggregate supply model (AD-AS Model) explains short-run fluctuations in GDP and price
$\hfill\Box$ The long run equilibrium occurs at the point where AD and SRAS intersect with the LRAS curve.
> In a market supply and demand graph, we noted an shaped equilibrium
> In the AD-AS model, the long-run equilibrium is shaped

AD-AS Long-Run Equilibrium



> In the AD-AS model, the short-run equilibrium can exist away from the long-run equilibrium

AD-AS Short-Run Equilibrium

