Multisectoral Aggregate Supply- Aggregate Demand Analysis

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Aggregate supply-aggregate demand (AS-AD) analysis is the core analytic approach in modern macroeconomics. conventional AS-AD analysis has two features, one is that its analytical indexes are aggregate, such as gross domestic product (GDP), aggregate consumption, total export and import, total price level, etc., and another is that intermediate demand is not considered. Compared with the conventional AS-AD analysis, the input-output analysis takes the sectoral structure of economic production and consumption as its frame, and forms a multisectoral analytical system through the links of intersectoral demand relations. This paper sets up a model system of AS-AD analysis based on the input-output structure, and it carefully builds the relations between final uses demand and primary inputs. The paper starts the analysis from a simple model with a single production sector to make clear about the demand and supply meanings of the elements in a input-output model. The generally multisectoral AS-AD analytical system is set up with a closed input-output table. The paper shows what information is needed to get the equilibrium gross output and price, and the differences from the AS-AD model in conventional macroeconomics.