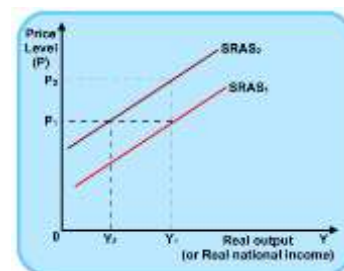


## Aggregate Supply

1. What do you understand by the term 'Aggregate Supply'?

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2. What do economists understand by the 'Short-Run' in this context? (macroeconomic)

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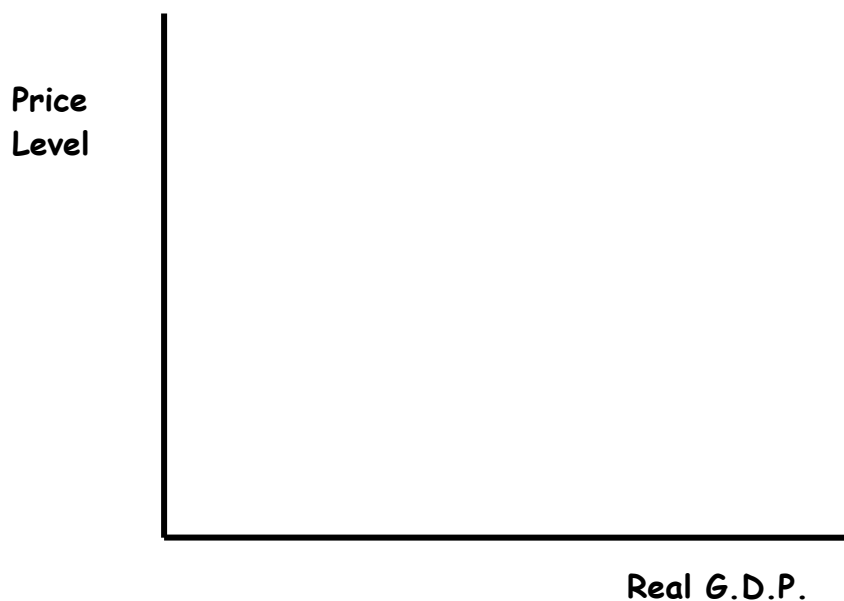
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3. What do they understand by the 'Long-Run'?

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4. On the axis below illustrate the short-run aggregate supply curve.



5. What do you understand by the short-run in this sense?

**Wage rates** - \_\_\_\_\_

**Price of other factor** \_\_\_\_\_

6. How do firms increase output in response to an increase in aggregate demand in the short-run?

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7. Given that wage rates remain **constant** why will firms face an **increase in their costs**?

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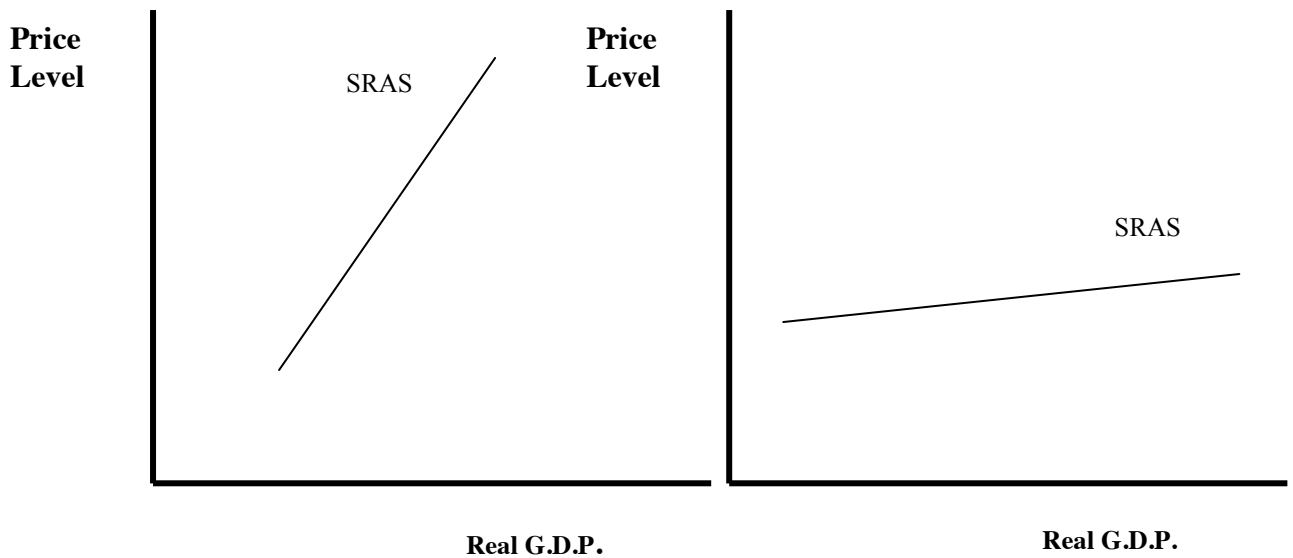
8. To **what extent** will the price level in the economy rise as a result of the increase in output?

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9. Look at the two diagrams below and identify the correct short-run aggregate supply curve.



10. We now need to look at factors that will lead to a shift in the short-run aggregate supply curve.

✚ In the table on the next page identify whether the supply-side factor would lead to a left or right shift in the short-run aggregate supply curve.

Factor	Shift
• An increase in the wage rate	
• Increase in oil prices	
• Reduction in corporation tax	
• Fall in the price of raw materials	

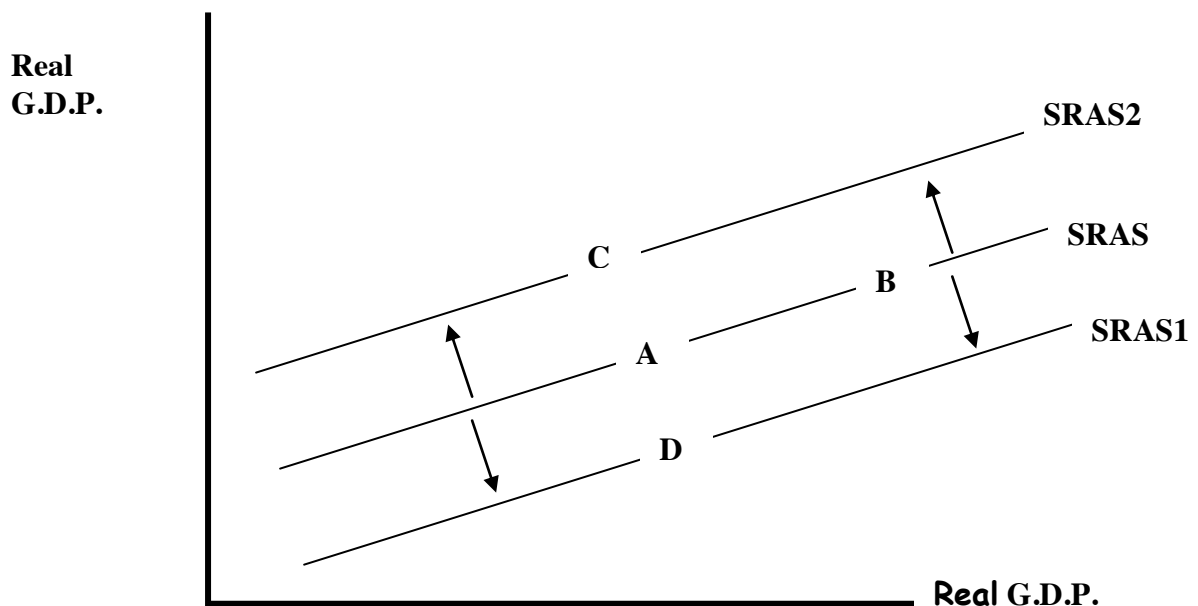
<ul style="list-style-type: none"> <li>• Interest rates rise making the purchase of capital goods more expensive.</li> </ul>	
<ul style="list-style-type: none"> <li>• Increase in business rates</li> </ul>	
<ul style="list-style-type: none"> <li>• Management persuade the workforce to accept a pay freeze.</li> </ul>	

11. Illustrate a left and right shift of the short-run aggregate supply curve on the diagram below.



12. On the diagram on the next page explain why the economy has moved from point A to points :-

- ✚ B \_\_\_\_\_
- ✚ C \_\_\_\_\_
- ✚ D \_\_\_\_\_



## Long-run Aggregate Supply

13. What do you understand by the long-run when we are discussing aggregate supply?

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14. Illustrate the long-run aggregate supply curve on the diagram below.



15. What does the long-run aggregate supply curve represent?

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16. What factors would lead to a **shift** in the long-run aggregate supply curve?

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17. Illustrate a left and right shift in the long-run aggregate supply curve on the diagram below.



18. Give **three factors** that might lead to a **left shift** in long-run aggregate supply.



\_\_\_\_\_



\_\_\_\_\_



\_\_\_\_\_

19. Give **three factors** that might lead to a **right shift** in the long-run aggregate supply curve.



\_\_\_\_\_



\_\_\_\_\_



\_\_\_\_\_