

What are the shifters of AD?

Consumption:

- Income
- Wealth
- Expectations
- Demographics
- Taxes

Investment:

- Interest rate
- Cost of capital goods
- Capacity Utilization *Rate*

What are the shifters of AD?

Government Spending

autonomous

Net Exports

- Income
- Prices
- Exchange rates
- Government policies

*tariffs
subsidies
embargo*



What are the shifters of SRAS?

Resource Prices (input costs)

Technology

Expectations

Why is SRAS upward sloping?



Resource costs are sticky in the SR

↓
flexible

Why is LRAS vertical?

Resource costs are flexible in the LR

LRAS shows real potential GDP output given fixed resources.

What are the shifters of LRAS?

Increase in Resources

Efficiency of resources (education for example)

Technology

