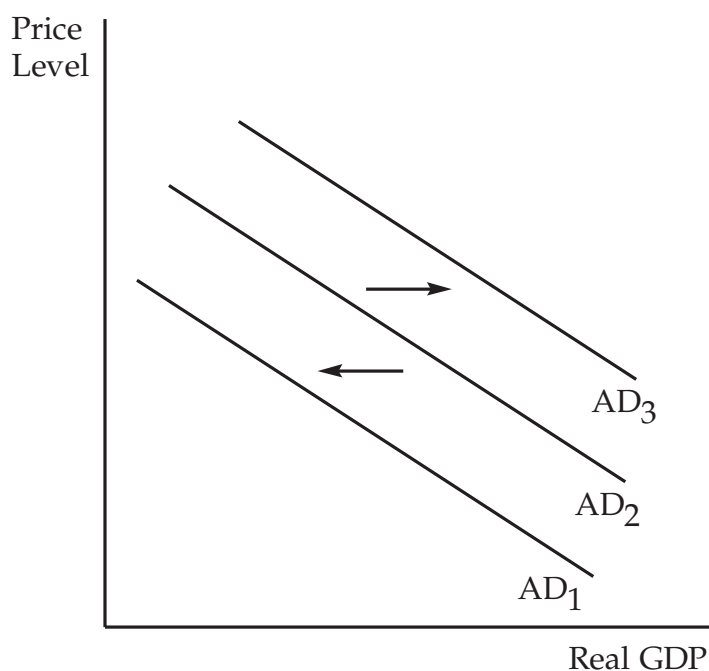
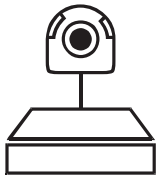
**Unit 6, Lesson 38**

Visual 1

SHIFTS IN AGGREGATE DEMAND

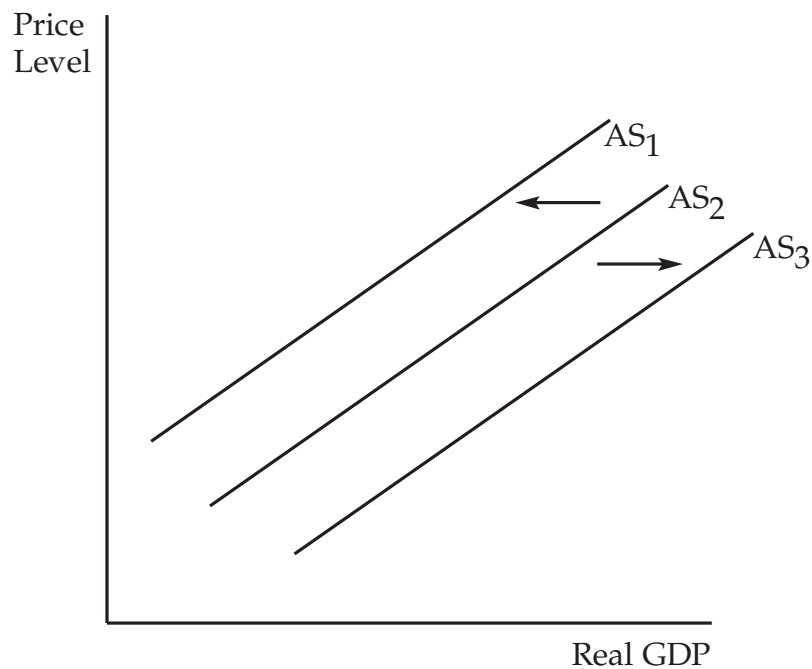
1. What factors can cause the aggregate demand curve to shift rightward, or increase?
2. What factors can cause the aggregate demand curve to shift leftward, or decrease?



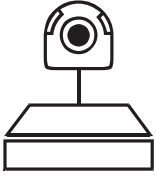
Unit 6, Lesson 38

Visual 2

SHIFTS IN AGGREGATE SUPPLY



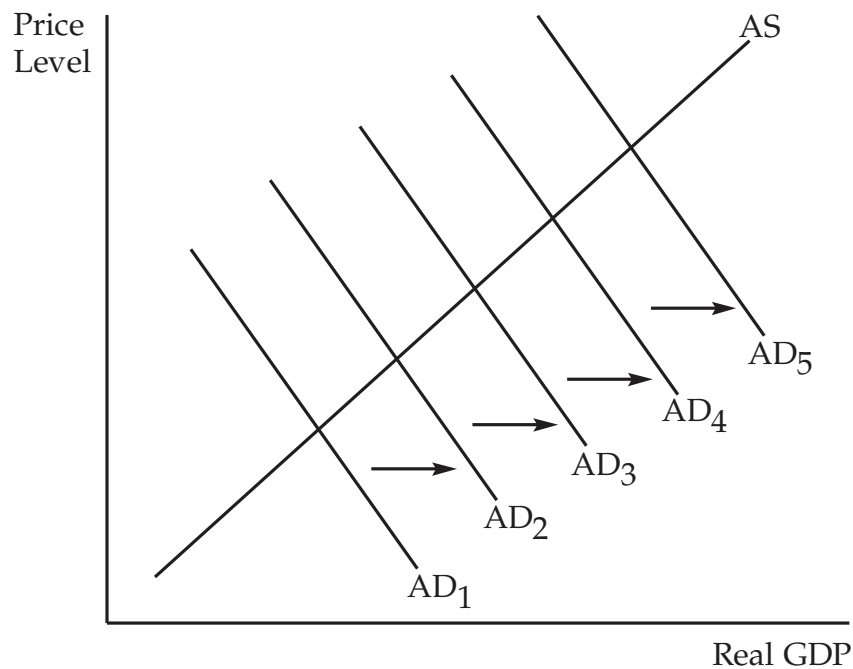
1. What factors can cause the aggregate supply curve to shift rightward, or increase?
2. What factors can cause the aggregate supply curve to shift leftward, or decrease?



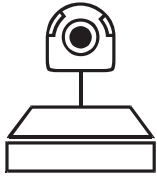
Unit 6, Lesson 38

Visual 3

THE EFFECTS OF SHIFTS IN AGGREGATE DEMAND

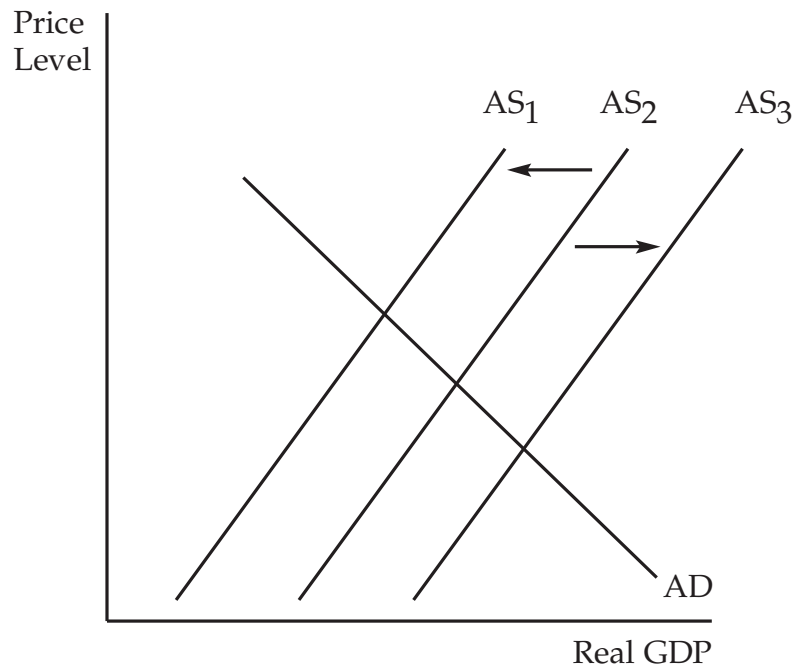


1. If AD increases, what will happen to the price level and real GDP?
2. If AD decreases, what will happen to the price level and real GDP?
3. What factor determines whether the price level or real GDP increases more?

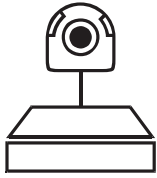


Unit 6, Lesson 38
Visual 4

THE EFFECTS OF SHIFTS IN AGGREGATE SUPPLY



1. What effect does a decrease in aggregate supply have on the price level and real GDP?
2. What effect does an increase in aggregate supply have on the price level and real GDP?



Unit 6, Lesson 38
Visual 5

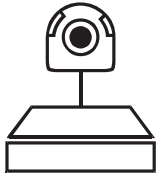
ANSWERS TO ACTIVITY 3

SUMMARIZING AGGREGATE DEMAND AND AGGREGATE SUPPLY SHIFTS

	1. Increase in labor productivity due to technological change	2. Increase in the price of inputs used by many firms	3. Boom in investment, assuming some unemployed resources are available*	4. A major reduction in investment spending

AD curve	A	A	S	S
AS curve	S	S	A*	A
Real GDP	+	-	+	-
Price level	-	+	+	-
Unemployment	-	+	-	+

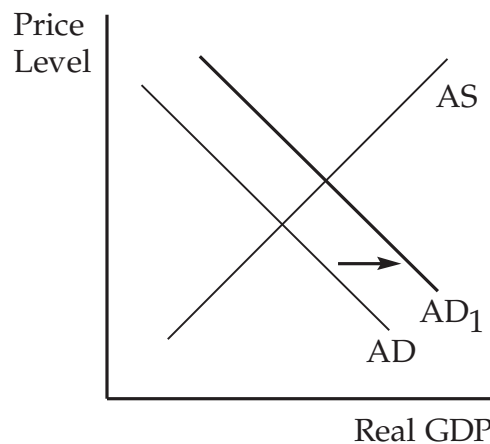
**In situation 3, AS could increase also because increased investment causes increased productivity. However, only AD increases with the original investment.*



Unit 6, Lesson 38
Visual 6

ANSWERS TO ACTIVITY 4
SUMMARIZING CHANGES IN THE
EQUILIBRIUM PRICE LEVEL AND REAL GDP

1. Increase in Government Spending

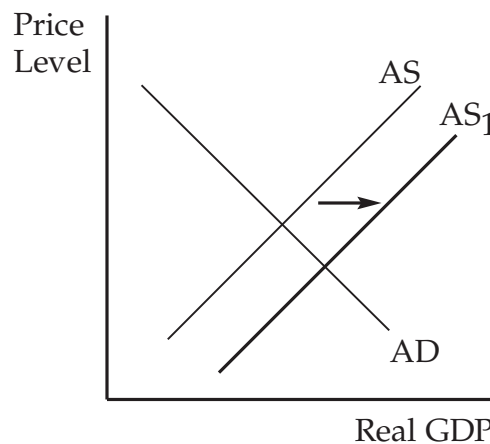


During a recession, the government increases spending on schools, highways, and other public works.

Price level $\uparrow \downarrow -$

Real GDP $\uparrow \downarrow -$

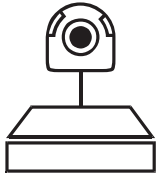
2. New Oil Discoveries



New oil discoveries cause large decreases in energy prices.

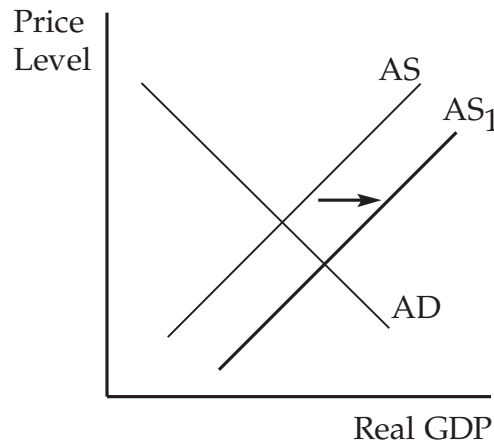
Price level $\uparrow \downarrow -$

Real GDP $\uparrow \downarrow -$



Unit 6, Lesson 38
Visual 6 cont.

3. Effects of New Technology and Better Education

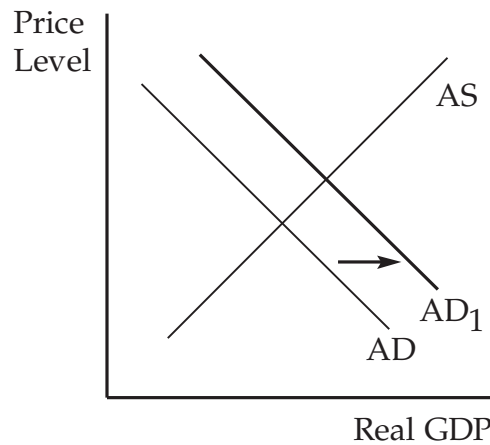


New technology and better education increase productivity.

Price level $\uparrow \downarrow -$

Real GDP $\uparrow \downarrow -$

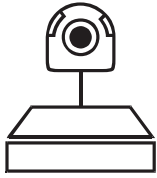
4. Increased Confidence for Future Economy



A new President makes consumers and businesses more confident about the future economy. *Note: Show the change in AD only.*

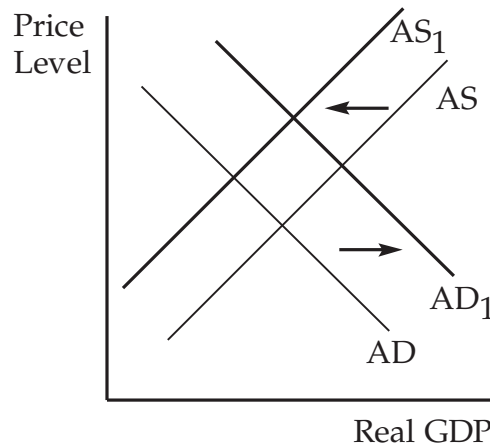
Price level $\uparrow \downarrow -$

Real GDP $\uparrow \downarrow -$



Unit 6, Lesson 38
Visual 6 cont.

5. Income Tax Cut



Congress passes a tax cut, and the President signs it.

Price level ↑ ↓ -

Real GDP ⊕ ↓ -

The price level depends on whether AD increased more or less than AS. A tax cut has demand-side and supply-side effects. Therefore, the changes in the price level cannot be predicted. Real GDP will rise.