**Aggregate Supply**

1. For review, list the factors that affect short run AS:
2. Relate the concept of short run and long run costs to the short and long run AS.
3. In the long run, the aggregate supply curve:
	1. slopes upward and to the right
	2. slopes downward and to the right
	3. is the same as the short run aggregate supply curve
	4. is vertical
	5. is horizontal
4. Wages and other resource prices in the short-run AS curve:
	1. will rise and fall following the ups and downs of the price level.
	2. will rise and fall more rapidly than the price level.
	3. are flexible up but inflexible down.
	4. are inflexible up but not down.
	5. tend to be sticky.
5. Draw a correctly labeled short run and long run Aggregate Supply graph

# Aggregate Supply Answer Key

## For review, list the factors that affect short run AS:

*Changes in commodity prices, changes in nominal wages, changes in productivity, and changes in inflationary expectations will affect the short run AS.*

1. Relate the concept of short run and long run costs to the short and long run AS. *In the short run, prices and resources prices are sticky but firms cannot make changes like new equipment and operating plants. These would be long run aggregate supply items since new equipment and technology add to the potential GDP. So in the long run, nominal wages—like the aggregate price level—are flexible, not sticky. Wage flexibility greatly alters the long-run relationship between the aggregate price level and aggregate supply. In fact, in the long run the aggregate price level has no effect on the quantity of aggregate output supplied.*
2. In the long run, the aggregate supply curve:
	1. slopes upward and to the right
	2. slopes downward and to the right
	3. is the same as the short run aggregate supply curve
	4. is vertical
	5. is horizontal

*(D)*

1. Wages and other resource prices in the short-run AS curve:
	1. will rise and fall following the ups and downs of the price level.
	2. will rise and fall more rapidly than the price level.
	3. are flexible up but inflexible down.
	4. are inflexible up but not down.
	5. tend to be sticky.

*(E)*

1. Draw a correctly labeled short run and long run Aggregate supply graph

ASlr

ASsr

Q FE

PL

PL 1