

Long-run and Short-run Aggregate Graphs Drill

Set 3

Create graphs for the following situations.

1. Use of credit cards increases and consumers increase spending. How will the economy react in the long-run?
2. Consumers lose confidence in the future and they spend less.
3. High real interest rates discourage businesses from investing.
4. The federal government decreases the budget for the Department of Defense.
5. The State of California creates a massive new road-building project. Show how workers will react to the change created by the road-building project.
6. The Federal government begins a project for several manned missions to Mars.
7. Asian imports to the U.S. increase.
8. Show an economy with a recessionary gap.
9. Government spending programs cause inflation and extremely low unemployment. Show this using both a long-run and short-run aggregate supply curves.
10. If the scenario in problem number 9 occurs what will likely happen next?