Consumers expect a recession

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

Foreign income rises

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

Foreign price levels fall

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

Government spending increases

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

Workers expect high future inflation and negotiate higher wages now

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

Technological improvements increase productivity

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

An increase in consumption (household) spending.

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

An increase in investment (business) spending.

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

An increase in government spending.

Price level ↑ ↓ —

Real GDP ↑ ↓ —

PL SRAS

AD

rGDP

An increase in exports, purchases by foreigners.

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

A decrease in imports, purchases of foreign goods and services by domestic residents.

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

A decrease in taxes (T), which increases consumption and/or investment spending.

PL SRAS

AD

rGDP

An increase in household wealth, which increases consumption.

Price level ↑ ↓ —

Real GDP ↑ ↓ —

Price level ↑ ↓ —

Real GDP ↑ ↓ —

PL SRAS

AD

rGDP

A decrease in consumption (household) spending.

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

A decrease in investment (business) spending.

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

A decrease in government spending.

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

A decrease in exports (purchases by foreigners).

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

An increase in imports.

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

A decrease in household wealth.

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

The price of labor (wage rate) increases.

Price level ↑ ↓ —

Real GDP ↑ ↓ —

The price of raw materials goes down

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

The price of energy goes up

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

PL SRAS

AD

rGDP

The amount of capital decreases

PL SRAS

AD

rGDP

Price level ↑ ↓ —

Real GDP ↑ ↓ —

Improvements in the skills and education of the labor force

Price level ↑ ↓ —

Real GDP ↑ ↓ —

PL SRAS

AD

rGDP