

Teacher Answer Sheet: Graph-Based Analysis

Question 1: AD Shift – Economic Growth

- a) Increase in consumer spending, investment, or government spending.
 - b) Price level \uparrow , real GDP \uparrow .
 - c) Unemployment \downarrow .
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Question 2: SRAS Shift – Cost Changes

- a) Higher wages, higher oil prices, or supply chain disruptions.
 - b) Prices \uparrow , real GDP \downarrow .
 - c) Stagflation (slow growth with inflation).
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Question 3: LRAS Shift – Long-Term Growth

- a) Technological advancement, improved education, or capital growth.
 - b) Economy's potential output increases (can produce more goods/services at full employment).
 - c) Example: Canada investing in green technology.
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Question 4: Movement vs. Shift

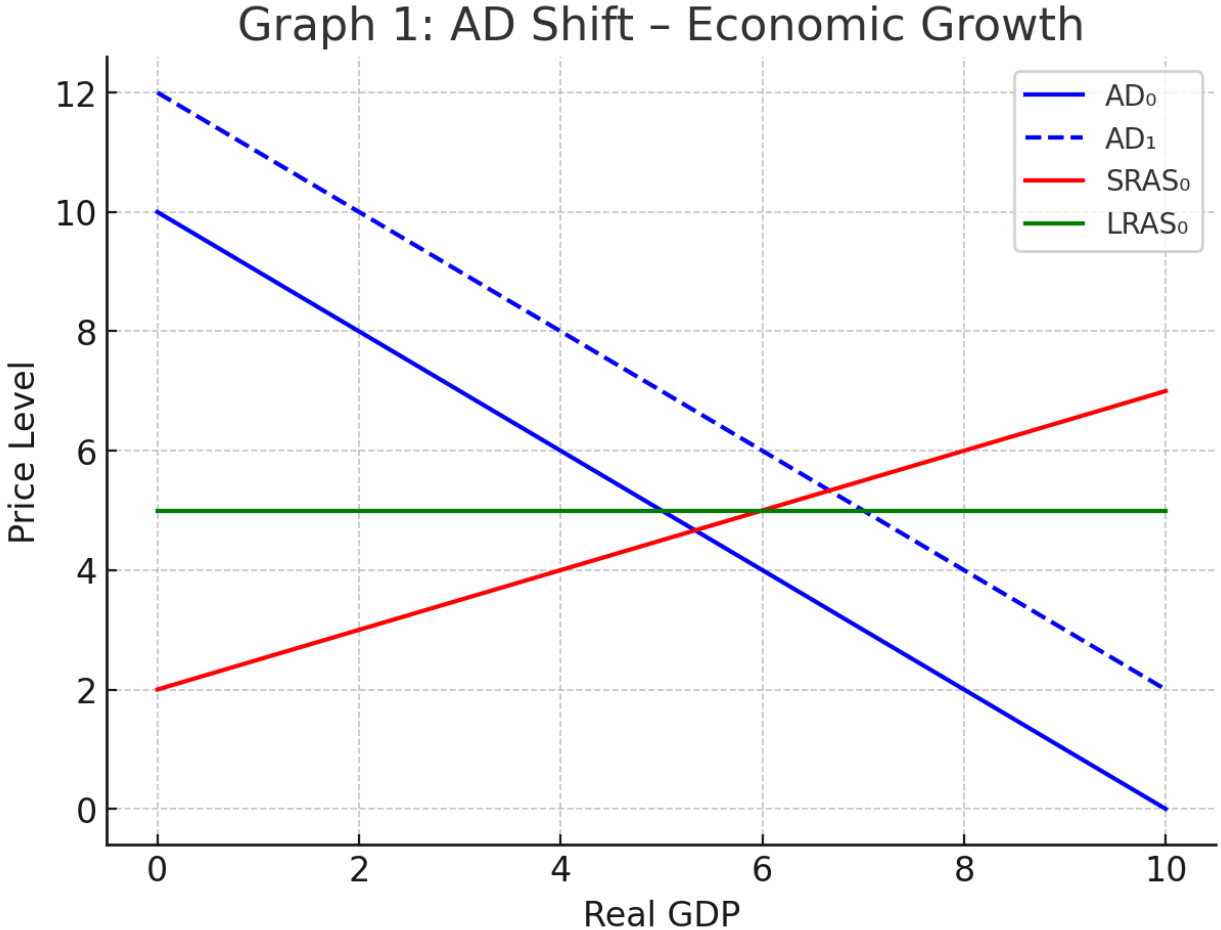
- a) Movement along SRAS.
 - b) Caused by a change in price level.
 - c) Potential output does **not** change (LRAS unchanged).
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Question 5: Combined Shift – Economic Recovery

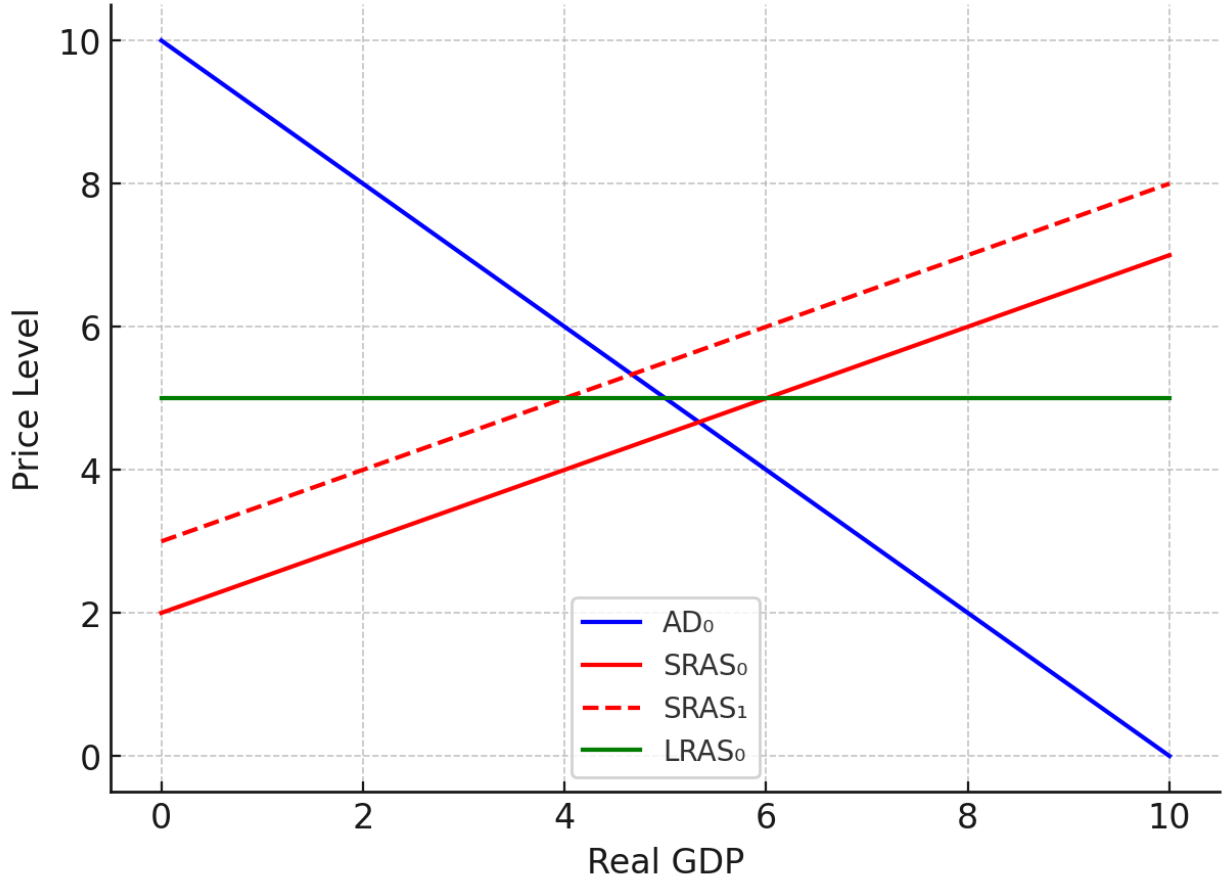
- a) Represents the recovery and expansion phase of the business cycle.
 - b) GDP \uparrow , prices \uparrow slightly.
 - c) SRAS shifts right as firms adjust wages and production over time.
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Question 6: Policy Impact

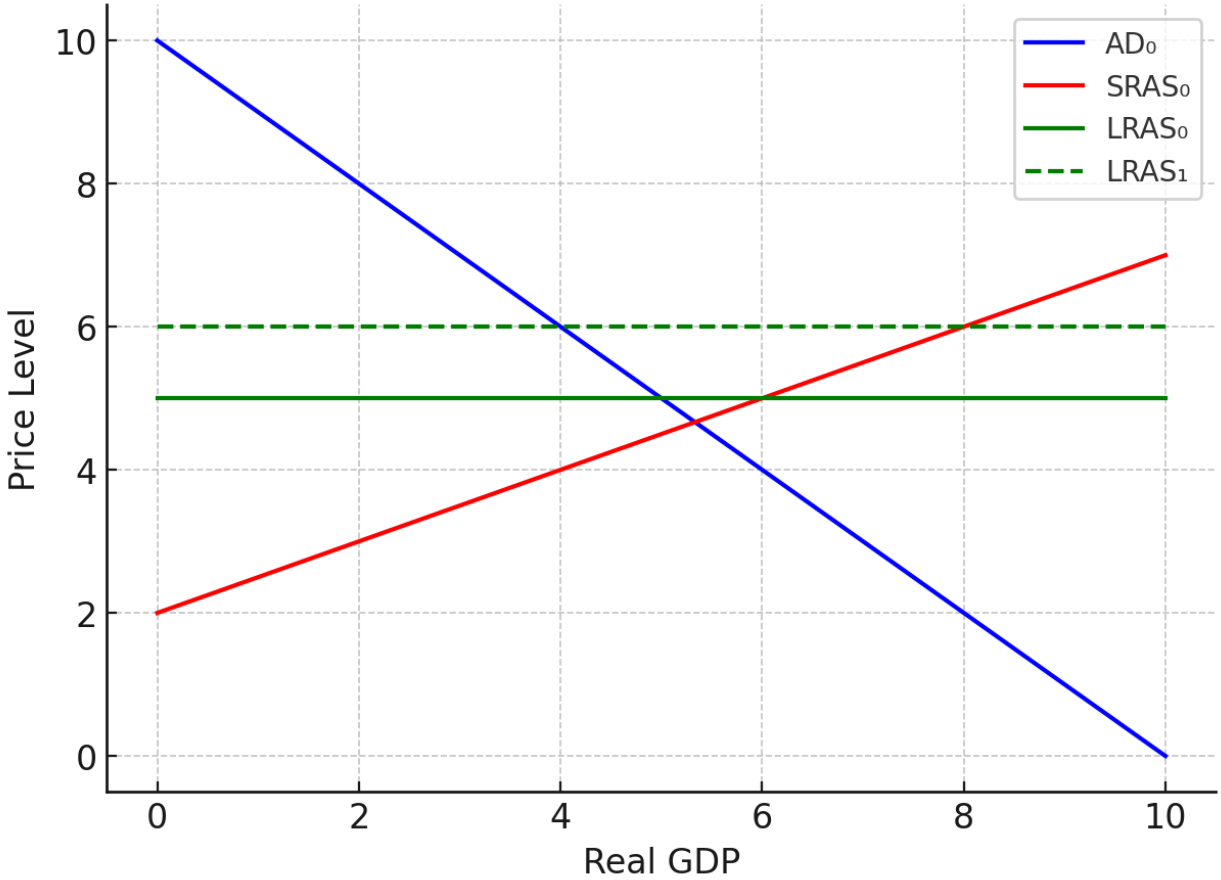
- a) AD first shifts right (fiscal expansion), then left/right adjustment from monetary policy.
- b) Output rises slightly; prices stabilize.
- c) Fiscal policy → supports growth; monetary policy → controls inflation



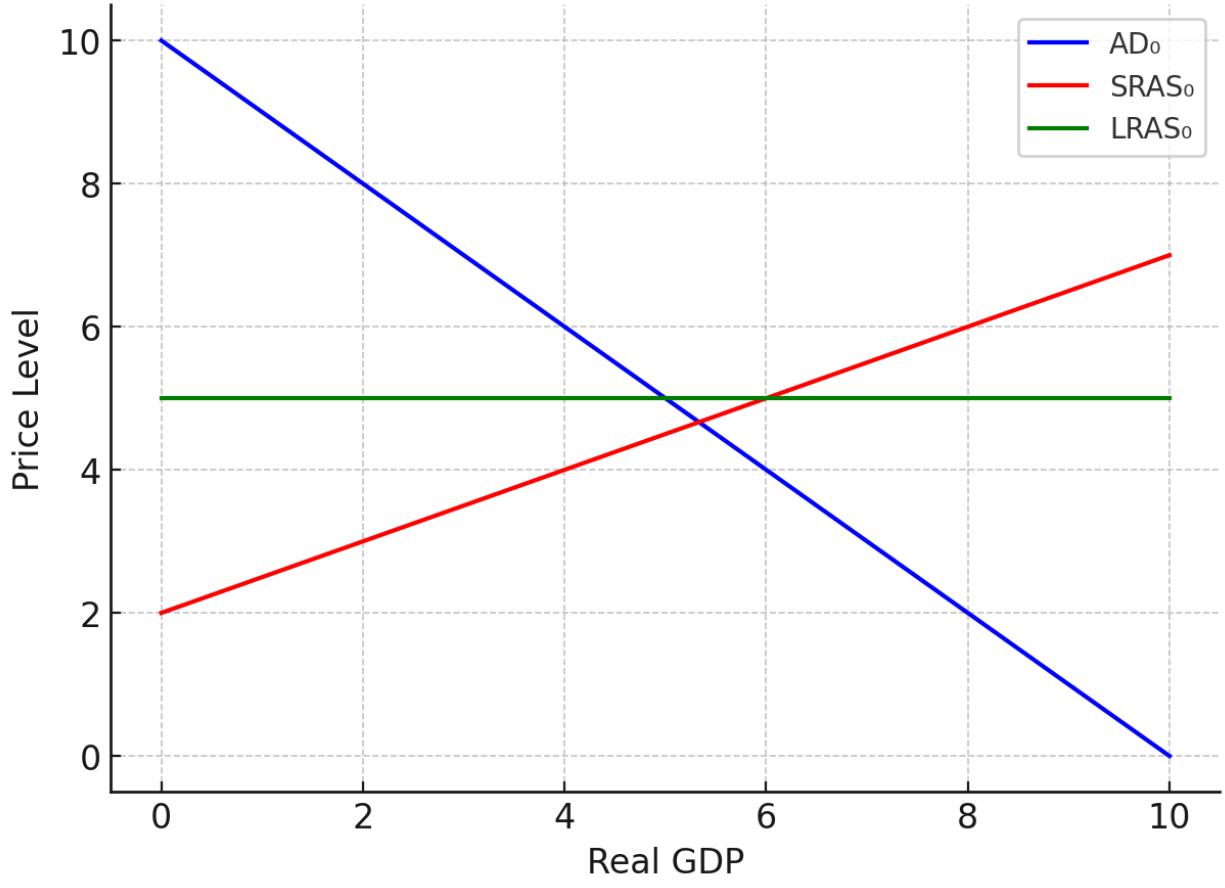
Graph 2: SRAS Shift - Cost Changes



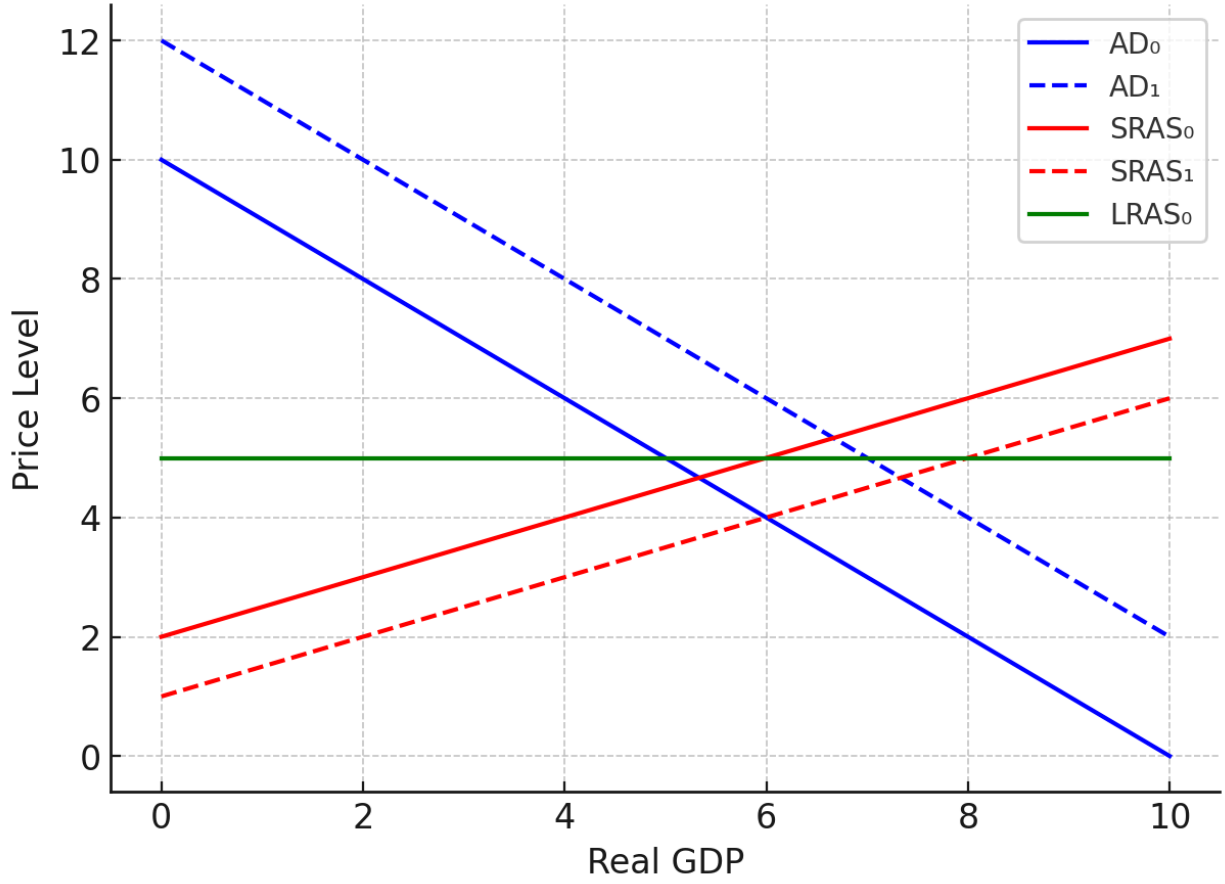
Graph 3: LRAS Shift - Long-Term Growth



Graph 4: Movement along SRAS



Graph 5: Combined Shift - Economic Recovery



Graph 6: Policy Impact (AD shifts right, then left with monetary policy)

