3.3 Short-Run Aggregate Supply (SRAS)

Name: ______________ Class: __________ Date: ____________ **Total: 9 marks**

Objective

Build the skills to answer exam questions on **short-run aggregate supply (SRAS)**.

You must be able to:

- define **short-run aggregate supply** 短期总供给 and explain its upward slope from sticky wages
- distinguish a movement along SRAS from a **shift**
- identify the determinants: **input prices**, productivity, and supply shocks
- analyse how a **negative supply shock** shifts SRAS leftward

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ SRAS and its slope

The total output firms supply at each price level. It slopes **upward** because wages and some prices are **sticky** in the short run, so a higher price level raises profit and output.

■ Determinants

Input prices, **productivity**, and **supply shocks**. A change in any of these **shifts** SRAS.

■ Negative supply shock

A rise in resource prices (e.g. oil) raises costs and shifts SRAS **leftward** —higher prices with lower output.

2 Practice

2.1 State why SRAS slopes upward. [1]

2.2 State the effect of a sharp rise in oil prices on SRAS. [1]

2.3 Name two determinants of SRAS. [2]

3 Exam-style questions

3.1 SRAS slopes upward because wages and prices are [1]

- **A** perfectly flexible
- **B** sticky in the short run
- **C** always zero
- **D** always falling

3.2 A negative supply shock shifts SRAS [1]

- **A** to the right
- **B** to the left
- **C** up along itself
- **D** not at all

3.3 The price of oil doubles across the economy.

(a) State the direction SRAS shifts. [1]

(b) State the effect on the price level. [1]

(c) State the effect on output. [1]

4 Go further

- work through the **3.3 Short-Run Aggregate Supply (SRAS)** lesson on the **Learn** page;
- read the **National Income and Price Determination** section of the AP Macroeconomics handout on the **Know** page.

Solutions

2.1 wages and some prices are sticky, so a higher price level raises profits and encourages more output.

2.2 it shifts SRAS to the left.

2.3 any two of: input prices, productivity, supply shocks.

3.1 **B**.

3.2 **B**.

3.3 (a) to the left. (b) the price level rises. (c) output falls.