

Aggregate Supply — Worksheet

The characteristics of AS · short-run AS and what shifts it · the Keynesian and classical LRAS · what shifts long-run AS

Name: _____

Class: _____

Date: _____

DEFINE short-run aggregate supply and net migration · **CALCULATE** productive capacity and the labour force · **DRAW** a shift of the SRAS curve and the Keynesian LRAS curve · **ANALYSE** how energy prices and emigration affect aggregate supply · **DISCUSS** the classical and Keynesian views of the LRAS curve · **EVALUATE** two policies to raise long-run aggregate supply

Sitting 1 — Topic practice

30 marks

MULTIPLE CHOICE Task 1 — Six questions on aggregate supply

6 marks

Choose one answer for each question.

1. On an aggregate supply diagram, the vertical axis measures:

- A the price of one good
- B the price level
- C the interest rate
- D the level of employment

Answer:

2. Real national output is used on the horizontal axis because it is:

- A measured only for goods, not services
- B counted after tax has been paid
- C valued at constant prices
- D valued at the prices of the current year

Answer:

3. Which of these would shift the SRAS curve rather than cause a movement along it?

- A A rise in the general price level
- B A rise in the price of imported fuel
- C A fall in the general price level
- D Firms supplying more as prices rise

Answer:

4. A depreciation of a country's currency is most likely to shift SRAS:

- A right, because exports become cheaper abroad
- B left, because imported inputs cost more
- C right, because imported inputs cost less
- D left, because the price level has risen

Answer:

5. The flat range of the Keynesian LRAS curve exists because:
- A money wages fall quickly when unemployment is high, cutting costs
 - B every resource is already in use
 - C firms cannot sell any more output
 - D idle workers and machines can be used without raising costs

Answer:

6. Which of these would shift LRAS to the left?
- A A net inflow of working-age migrants
 - B Large-scale emigration of trained engineers
 - C A rise in the participation rate
 - D Courts that enforce business contracts faster and more cheaply

Answer:

DEFINE Task 2 — The meaning of short-run aggregate supply

2 marks

Define the term 'short-run aggregate supply'.

short-run aggregate supply

EXPLAIN Task 3 — A lower duty on steel in Sarno

4 marks

Sarno's car and machine factories buy most of their steel from abroad. The government cuts the duty on imported steel from 15% to 5%. Nothing else changes.

Explain the likely effect of the cut in the steel duty on Sarno's short-run aggregate supply.

CLASSIFY Task 4 — Eight changes in Kesto

8 marks

Kesto is a country that trades with other countries. Each row is a separate change, and nothing else changes. Classify each change as a movement along SRAS, a shift of SRAS or a shift of LRAS.

Key: Movement along SRAS · Shift of SRAS · Shift of LRAS

#	Change in Kesto	Movement along SRAS, shift of SRAS or shift of LRAS
1	The world price of cotton, which Kesto's garment factories import, rises by half	
2	Kesto's currency depreciates, and its car plants buy their engines abroad in US dollars	

#	Change in Kesto	Movement along SRAS, shift of SRAS or shift of LRAS
3	The government raises the excise duty on the diesel that Kesto's farms and lorries use	
4	Net migration into Kesto is 200,000 people of working age a year, and all of them join its labour force	
5	After new childcare centres open, more parents of young children in Kesto join the labour force	
6	Each year, more people in Kesto pass retirement age than reach working age	
7	Kesto's price level rises from 110 to 113, while wage contracts and other costs stay the same	
8	Kesto's price level falls from 108 to 105 before any wage contract is renewed	

CALCULATE Task 5 — Productive capacity in Dorla

4 marks

The table shows Dorla's labour force and its output per worker in 2015 and 2025.

Year	Labour force (million)	Output per worker (\$ a year)
2015	30	20,000
2025	32	22,500

Calculate Dorla's productive capacity in 2025, and its percentage change from 2015 to 2025 to one decimal place.

Productive capacity in 2025 (\$ million)

Workings

Answer:

Percentage change in productive capacity from 2015 to 2025 (%)

Workings

Answer:

ANALYSE Task 6 — A higher price of gas in Dalmia

6 marks

Dalmia imports all of its gas. Its firms use gas to run their machines and to heat their ovens. For most firms, gas is a large part of their costs. In 2025, the world price of gas rose by 40%. Nothing else changes.

Analyse the likely effect of the higher world price of gas on Dalmia's short-run aggregate supply.

Knowledge — define two economic terms that you use (2)

Application — use the facts about Dalmia (2)

Analysis — your chain of reasoning (2)

Sitting 2 — Mock section

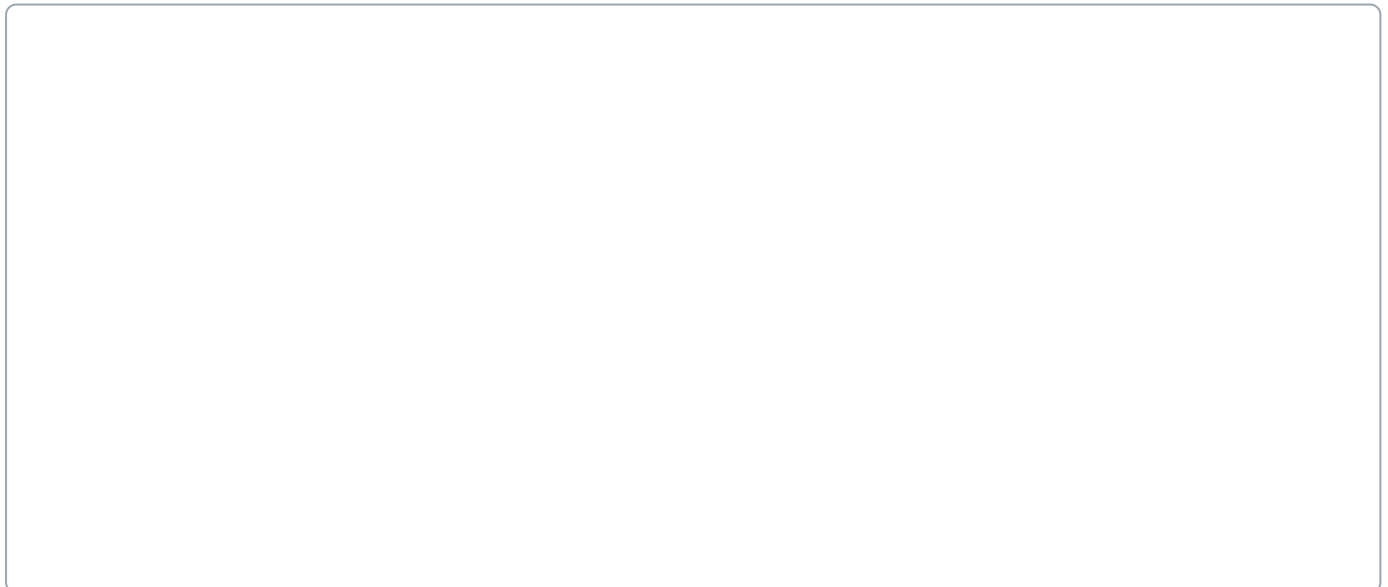
74 marks

DRAW Task 7 — New wage contracts in Brava

4 marks

In Brava, new wage contracts raise money wages by 6% in every industry. Output per worker does not change. Brava's productive capacity does not change.

Draw an AS diagram to show the likely effect of the new wage contracts on Brava's short-run aggregate supply.



Label the axes and every curve you draw.

DRAW**Task 8 — A deep downturn in Pelra****4 marks**

Pelra is in a deep downturn. Its factories use only half of their machines. Many workers in Pelra cannot find a job.

Draw a Keynesian LRAS diagram, and mark where Pelra's economy is likely to be on the curve.

Label the axes, the curve and productive capacity.

CALCULATE**Task 9 — An ageing population in Lomar****4 marks**

In Lomar, more people pass retirement age each year than reach working age. The table shows the figures for 2025 and the forecast for 2035.

Year	Working-age population (million)	Participation rate (%)	Output per worker (\$ a year)
2025	50	75	30,000
2035	48	75	30,000

Calculate Lomar's labour force and its productive capacity in 2035.

Labour force in 2035 (million)

Workings

Answer:

Productive capacity in 2035 (\$ million)

Workings

Answer:

EXPLAIN Task 10 — New software at the ports of Rello

4 marks

Rello's ports start to use software that plans the work of every crane. With the same crews, the ports now load 40 ships a week instead of 32. Rello's labour force does not change.

Explain how this new technology is likely to affect Rello's long-run aggregate supply.

EXPLAIN Task 11 — A cut in income tax in Varna

4 marks

Varna's government cuts the rate of income tax from 30% to 26%. No other tax changes.

Explain why this cut in income tax is unlikely to shift Varna's SRAS curve.

Source: Tavira after the fall in tourism

- 1 Tavira is a small country that earns much of its income from tourism and from making garments. In 2024, far fewer tourists came, and aggregate demand fell. By 2025, many hotels and garment factories used only half of their rooms and machines. Unemployment rose from 5.0% in 2023 to 11.0% in 2025 (Figure 1). Most wage contracts in Tavira are agreed again only every three years. Trade unions say that their members will not accept pay cuts.
- 2 Tavira's currency depreciated against the US dollar in 2024 and 2025 (Figure 1). Tavira imports almost all of its fuel, and it pays for the fuel in US dollars. Over the same two years, about 40,000 trained nurses and engineers left Tavira to work in other countries. Few people moved to Tavira, so net migration was negative in every year.

- 3 In 2025, Tavira's competition authority fined the country's three cement makers for fixing their prices, and it ended their agreement. The three firms have appealed against the fines in the courts. The finance minister says: 'Tavira's output will return to its productive capacity without any help from the government.'

Figure 1: Economic data for Tavira, 2023 to 2025

Measure	2023	2024	2025
Price of one US dollar, in Tavira dollars	4.0	4.6	5.0
World price of a barrel of fuel, in US dollars	80	80	80
Price of a barrel of imported fuel, in Tavira dollars	320	368	400
Unemployment (% of the labour force)	5.0%	8.5%	11.0%
Change in average money wages	+4.0%	+2.0%	+1.0%
Net migration (people)	−5,000	−18,000	−30,000

DEFINE Task 12 — The meaning of net migration

2 marks

Define the term 'net migration' (paragraph 2).

net migration

EXPLAIN Task 13 — A weaker currency and the cost of fuel

4 marks

With reference to Figure 1, explain the likely effect of the depreciation on Tavira's short-run aggregate supply.

ANALYSE Task 14 — Nurses and engineers leave Tavira

6 marks

With reference to paragraph 2 and Figure 1, analyse the likely effect of the emigration of nurses and engineers on Tavira's long-run aggregate supply.

Knowledge — define two economic terms that you use (2)

Application — use two facts or figures from paragraph 2 or Figure 1 (2)

Analysis — your chain of reasoning (2)

EXAMINE Task 15 — The end of a cement cartel

8 marks

With reference to paragraph 3, examine the likely effect of the competition authority's action on Tavira's long-run aggregate supply.

Knowledge — explain two economic ideas that you use (2)

Application — use two facts from paragraph 3 (2)

Analysis — your chain of reasoning (2)

Evaluation — say what the answer depends on (2)

DISCUSS Task 16 — A return to capacity without help

14 marks

With reference to the source, discuss whether Tavira's real output is likely to return to its productive capacity without help from the government.

Knowledge — explain two economic ideas that you use (2)

Application — use two facts or figures from the source (2)

Analysis — two chains of reasoning (4)

Evaluation — weigh the classical and Keynesian views and say what the answer depends on (6)

EVALUATE Task 17 — Machines and skills in Selvia

20 marks

"For ten years, output per worker in Selvia has grown by less than 1% a year. The government plans a tax allowance for firms that buy new machinery. It also plans to open new colleges that train electricians and engineers."

Evaluate the likely effects of these two policies on Selvia's long-run aggregate supply.

Knowledge — define two economic terms that you use, and explain one other idea (3)

Application — use the facts about Selvia (3)

Analysis — two chains of reasoning (6)

[illegible]

Write the one sentence that answers Task 17's question.



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