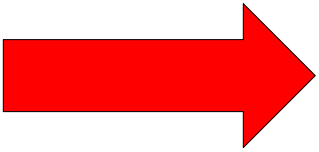
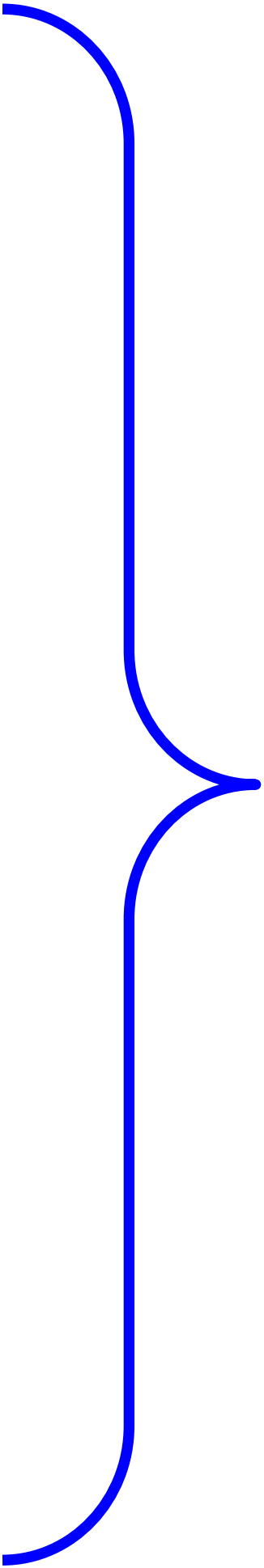


Determinants of Aggregate Supply

● Prices of goods and services



A change in price is
represented by a
movement along SRAS



Assumed constant
along SRAS

A change in **cost** of
production, the **labor**
force or the **stock** of
capital is represented as
a **shift** in the SRAS

- **Cost of Production = Prices of inputs**
necessary to produce (labor, gasoline, raw materials, etc.,.)

- Size and quality of the Labor Force (a larger, better prepared work force, allow firms to produce more)

- Size and quality of **Stock of Capital** (with better technology, firms can produce more)

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The effect of an Increase in wages

