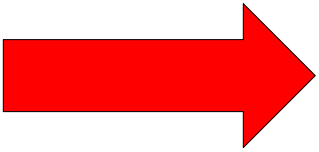


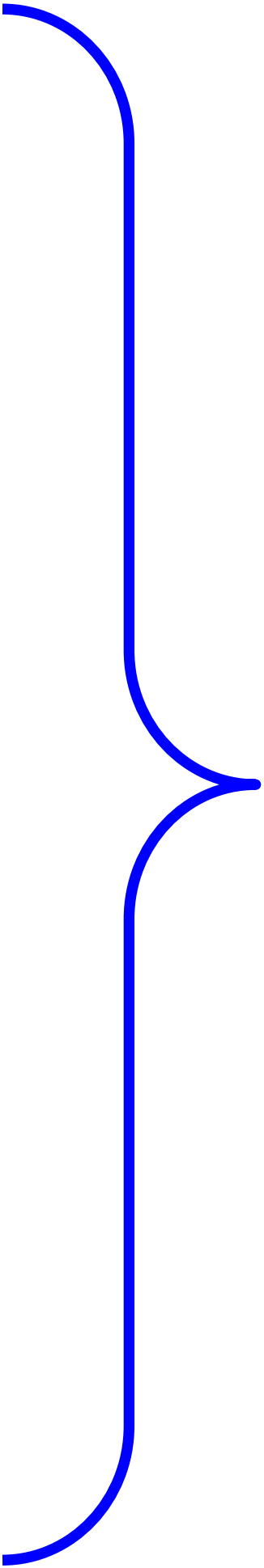


Determinants of Aggregate Supply

● 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

