Average total cost, $

LRAC

SRAC

SRAC

SRAC

a

b

c

Quantity, units

Price

p N Q' Q

T' ---- S'
T ---- S
P' V

P M

O y
   Quantity

E

$E(Y) = Y$

$C(Y) + I + G + X - M(Y)$

$45°$

0 Y_e Y_f Y

Price level

AD   AD'   AS

Real GDP

Capital goods

Consumer goods

Price

D   S'   S

Quantity

Price

D

S' S

Quantity

Price

P′

P

S

D′

D

Q   Q′   Quantity