The Big Shift

WITSOOTH · CLEVER TRUTH

AP MACROECONOMICS · UNIT 3

Name ______________ Period ______

DRIVING QUESTION

One piece of news moves an entire economy. Why does the same headline shift some curves and leave others completely alone?

Gut instinct now. Answer it again at the end using AD, SRAS, and LRAS.

BEFORE THE GAME

"A record freeze wipes out half of Florida's orange crop overnight." That single sentence is about oranges. But is it about the whole economy, or just the price of orange juice?

Your gut answer — does an orange-crop freeze move the entire US economy, or stay contained to one product? Why?

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Quick prediction — is every economic event permanent, or do some wear off on their own?

☐ All permanent ☐ All temporary ☐ Depends

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THREE CURVES TO WATCH

CURVE 1

AD

Aggregate Demand — total spending by consumers, businesses, government, and foreign buyers. Shifts when any of those groups spend more or less at every price level.

CURVE 2

SRAS

Short-Run Aggregate Supply — shifts when input/production *costs* change (wages, oil, materials). These shocks are often **temporary** — they fade as prices adjust.

CURVE 3

LRAS

Long-Run Aggregate Supply — the economy's max sustainable output. Only shifts when the **resources** themselves change: labor force size, capital stock, technology, institutions. Permanent.

DURING THE GAME — CALL EVERY CURVE

SCENARIO (IN YOUR OWN WORDS)	AD	SRAS	LRAS	WHY THIS CURVE, NOT THE OTHERS?
______________	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	______________
______________	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	______________
______________	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	______________
______________	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	______________
______________	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	______________
______________	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	☐ L ☐ N ☐ R	______________

Check one per column: L = shifts left · N = no change · R = shifts right. 3 curve calls × 6 rounds = 18 points possible.

AFTER THE GAME

Pick one round where SRAS shifted but LRAS didn't. What's the tell that separates a "temporary cost shock" from a "permanent resource shock"?

Was there a round where AD and SRAS shifted in opposite directions at once? What happens to price level and output when that combination hits together?

TRANSFER — SAME LOGIC, NEW HEADLINE

"A Wave of Retirements Permanently Shrinks the Workforce"

Over five years, 4 million workers retire early and don't come back. Employers can't find replacements, even as wages rise. Output the economy could sustainably produce falls — not just this quarter, but for years.

A. Which curve actually shifts here — AD, SRAS, or LRAS? What's the giveaway that this isn't a short-term cost shock?

B. Direction and consequence — does potential GDP rise or fall? What happens to the economy's long-run price level as a result?

C. Compare — pick one round from the game with a similar "permanent" shock. What made both of them LRAS movers instead of SRAS?

RETURN TO THE DRIVING QUESTION

One piece of news moves an entire economy. Why does the same headline shift some curves and leave others completely alone?

Use AD, SRAS, and LRAS — and the temporary/permanent distinction — in your final answer.