

AP Macroeconomics
Unit 3, Objectives 4-6 Practice
Aggregate Model (Chapter 33)

Directions: For each of the following scenarios, correctly draw and label an aggregate graph of the economy at long run equilibrium. Then show and explain how the scenario impacts the graph. Finally, draw and explain how the economy would return to equilibrium if there was no government intervention.

1. The federal government increases defense spending.
2. A recession overseas causes foreigners to buy less US goods.
3. A technological improvement raises productivity.
4. A war in the Middle East causes oil prices to rise sharply.
5. The federal government increases tax rates.