

Assessing your understanding of Aggregate Supply

Take your time to match the features (the letters) to the Key Terms (the numbers)*

*Not all the letters are relevant

Key terms	Match (put the letters in here)	Match the letter to the number
		A. Would occur if the Bank of England decided to increase interest rates sharply
		B. Sustained extreme heat across Spring and Summer might restrict supplies through food manufacturing.
		C. Would occur if a hit to consumer confidence caused reductions in spending on goods and services across the country.
1. Movement to the left along the AS curve		D. Would be affected if the government invested more heavily in the country's infrastructure
2. Movement to the right along the AS curve		E. Would occur if Aggregate Demand rose over all price levels.
3. Leftward shift in the AS curve		F. Serious and persistent flooding across the Midlands and South cuts consumer spending
		G. A decision to abolish 'green belt' planning restrictions cuts the price and rental values on business premises.
4. Rightward shift in the AS curve		H. War breaks out between China and America, massively disrupting imports of materials and components to the UK
5. Short-term AS curve		I. Huge government investment in workforce skills and training makes the labour market more fluid and flexible.
		J. A fall in the external value of the £ makes import prices rise.
6. Long-term AS curve		K. A curve showing firms' desired output at different price levels, within the time period in which some factors of production are inflexible.
7. Factor that might steepen the AS curve		L. Would occur if business costs rose throughout the country, e.g. because of a rise in business rates
		M. Occurs if a government decides to cut taxes applying to households.
8. Factor that might make the AS curve flatter		N. Moving away from free movement of labour makes the supply of labour less flexible
9. Not AS at all. This relates to AD		O. Occurs when factors of production become cheaper in relative terms, i.e. business costs fall.
		P. Would occur only if Aggregate Demand fell over all price levels
		Q. Aggregate supply over a time period when all factors of production are variable, including their prices

Correct answers (put them in when the teacher goes through the exercise)

1. Movement to the left along the AS curve	
2. Movement to the right along the AS curve	
3. Leftward shift in the AS curve	
4. Rightward shift in the AS curve	
5. Short-term AS curve	
6. Long-term AS curve	
7. Factor that might steepen the AS curve	
8. Factor that might make the AS curve flatter	
9. Not AS at all. This relates to AD	

Teachers' Guide: Actual answers

1. Movement to the left along the AS curve	C, P
2. Movement to the right along the AS curve	E, O
3. Leftward shift in the AS curve	A, J, L (B also makes sense)
4. Rightward shift in the AS curve	G
5. Short-term AS curve	K
6. Long-term AS curve	D, Q
7. Factor that might steepen the AS curve	B, H, N
8. Factor that might make the AS curve flatter	I
9. Not AS at all. This relates to AD	F, M (C also makes sense)