shifts in graphs😎

*If there are any points of clarification needed, or changes need to be made please don't hesitate to say so!!

Key: (adding this stuff later)

- AD/AS = 🔴
- Money market = 🟠
- Loanable funds = 🔵
- Phillips curve = 🟣
- FOREX = ●

AD/AS graph

- **Rightward** shift of **AS**
  - *Causes...*
    - PL⇓ and rGDP⇑
    - Puts us in a inflationary gap (if we began at full employment)
      - Point outside the PPC curve!
    - Long run self-adjustment in a recessionary gap (due to decreased wages/input costs)
  - *Caused by...*
    - Decrease in input prices (lower wages)
    - More technology/productivity
    - Government subsidies for production
    - Leftward shift of SRPC
- **Leftward** shift of **AS**
  - *Causes...*
    - PL⇑ and rGDP⇓
    - Puts us in a recessionary gap (if we began at full employment)
      - Point inside the PPC curve!
    - Long run self adjustment in an inflationary gap
    - Known as stagflation/cost push inflation
      - Decreases worth of real wages
  - *Caused by...*
    - Increase in input prices (higher wages)
    - Less technology/productivity
    - Government taxes specifically on production (sin taxes etc etc)
    - Rightward shift of SRPC
- **Rightward** shift of **AD**
  - *Causes...*
    - PL⇑ and rGDP⇑
    - Puts us in an inflationary gap if we began at full employment
    - Relative incomes/price levels to increase
      - Decreases worth of real wages

        - Foreign demand for currency to decrease
        - Known as demand-pull inflation
        - Money demand to increase (because more transactions)
    - *Caused by...*
        - Expansionary policies
            - Fiscal: increase government spending/decrease in taxes
            - Monetary: buy bonds, decrease RR and DR
        - Decrease in interest rates (nominal or real)
        - Decrease in income/business taxes
        - Increased unemployment compensation + other government transfers (automatic stabilizers)
        - Decrease in imports/increase in exports
- **Leftward** shift of **AD**
    - *Causes...*
        - PL⇓ and rGDP⇓
        - Relative incomes/price levels to decrease
        - Foriegn demand for currency to increase
        - Puts in a recessionary gap given we start at full employment
        - Decreased demand for money
        - Increased supply of loans (because price levels aren't higher)
    - *Caused by...*
        - Contractionary policies
            - Fiscal: decrease government spending/increase in taxes
            - Monetary: sell bonds, increase RR and DR
        - Increased imports/decrease exports
        - Decreased unemployment compensation + other government transfers (automatic stabilizers)
        - Increase in interest rates (nominal or real)
- **Rightward** shift of **LRAS**
    - *Causes...*
        - rGDP⇑
        - PPC curve to shift outwards
        - SRAS to shift rightward to meet AD at LRAS
        - SRPC shift leftward
        - LPRC to shift leftwards
    - *Caused by... (in the long run ONLY)*
        - Increase in capital stock
        - Increase in productivity
        - Increase in size of labor force (i.e. more immigration)
        - decrease in rIR == increase in investment spending == increase in capital stock
- **Leftward** shift of **LRAS**
    - *Causes...*

        - rGDP⇓
        - PPC curve to shift inwards
        - SRAS to shift leftward to meet AD at LRAS
        - SRPC to shift rightward
        - LRPC to shift rightwards
    - *Caused by...*
        - Decrease in capital stock (decrease in investment spending in the short run)
        - Decrease in productivity
        - Decrease in size of labor force (i.e. more emmigration)
        - Increase in rIR == decrease in investment spending == decrease in capital stock

Money Market

- **Rightward** shift of **MS**
    - *Causes...*
        - nIR⇓and quantity of money⇑
        - Decrease demand for domestic currency
        - Investment spending to increase == AD increases == rGDP + PL increase
    - *Caused by...*
        - Expansionary monetary policies
            - Buy bonds, decrease RR, decrease DR/FFR
- **Leftward** shift of **MS**
    - *Causes...*
        - nIR⇑and quantity of money⇓
        - Increase demand for domestic currency
        - Investment spending decreases == AD decreases == rGDP + PL decrease
    - *Caused by...*
        - Contractionary monetary policies
            - Selling bonds, increase RR, increasing DR/FFR
- **Rightward** shift of **MD**
    - *Causes...*
        - nIR⇑ and quantity of money to remain the same
        - Increase in demand for domestic currency
        - Investment spending decreases == AD decreases == rGDP + PL decrease
    - *Caused by...*
        - Increase in PL/inflation (more inflation == more transactions being done == need more money to facilitate those transactions)
        - Increase in rGDP

- **Leftward** shift of **MD**
  - *Causes...*
    - nIR⇓and quantity of money to remain the same
    - Decrease demand for domestic currency
    - Investment spending increases == AD increases == rGDP + PL increase
  - *Caused by...*
    - Decrease in PL
    - Decrease in rGDP
    - Decrease in transaction costs

Loanable Funds

- **Rightward** shift of **SL**
  - *Causes...*
    - rIR⇓ and quantity of loanable funds⇑
    - Decrease in demand for currency
    - Investment spending to increase == AD increases == rGDP and PL increase
    - Economic growth in the long run (LRAS shifting to the right, LRPC shifting to the left)
  - *Caused by...*
    - Increase in expected interest rate (since savers want to profit off of higher interest rate)
    - Being in a recessionary gap (lower price levels mean that people don't need as much cash == put money into banks)
    - increase in foreign purchases of domestic assets
    - Increase in savings rate
- **Leftward** shift of **SL**
  - *Causes...*
    - rIR⇑and quantity of loanable funds⇓
    - Increase in demand for currency
    - Investment spending to decrease == AD decreases == rGDP and PL decrease
    - Economic decline in the long run (LRAS shifting left, LRPC shifting to the right)
  - *Caused by...*
    - Decrease in expected interest rates
    - Decrease in foreign purchases of domestic assets
    - Decrease in savings rate
    - Being in an inflationary gap (increased PL means people need more money, so they're more likely to pull from their savings accounts)
- **Rightward** shift of **DL**

- *Causes…*
  - rIR⇑ and quantity of loanable funds⇑
  - Increase in demand for currency
  - Investment spending to decrease == AD decreases == rGDP and PL decrease
  - Economic decline in the long run (LRAS shifting left, LRPC shifting to the right)
- *Caused by…*
  - Expansionary fiscal policies (increase in government spending/decrease in taxes)
  - Increase in deficit spending
  - Increase in foreign demand for domestic currency

- **Leftward** shift of **DL**
  - *Causes…*
    - rIR⇓ and quantity of loanable funds⇓
    - Decrease in demand for currency
    - Investment spending to increase == AD increases == rGDP and PL increase
    - Economic growth in the long run (LRAS shifting to the right, LRPC shifting to the left)
  - *Caused by…*
    - Contractionary fiscal policies (decrease in government spending/increase in taxes)
    - Decrease in deficit spending
    - Decrease in demand for domestic currency

Phillips curve

(i personally always think of the phillips curve as a reflection of the ad/as graph, so that's why this section is relatively shorter. Lmk if you guys would like this to be expanded!)

- **Rightward** shift of **SRPC**
  - *Causes…*
    - Inflation rate⇑ and unemployment rate does not change
  - *Caused by…*
    - Leftward shift of SRAS (see above)
- **Leftward** shift of **SRPC**
  - *Causes…*
    - Inflation rate⇓ and unemployment rate does not change
  - *Caused by…*
    - Rightward shift of SRAS (see above)
- **Rightward movement** along **SRPC** curve
  - *Causes…*

        - Unemployment rate⇑ inflation rate⇓
        - Indicates a recessionary gap! = PL and rGDP have decreased
        - Point inside of a PPC curve
    - *Caused by...*
        - Leftward shift of AD (see above)
- **Leftward movement** along **SRPC** curve
    - *Causes...*
        - Unemployment rate⇓ inflation rate⇑
        - Indicates an inflationary gap = PL and rGDP have increased
        - Point outside of a PPC curve
    - *Caused by...*
        - Rightward shift of AD (see above)
- **Rightward** shift of **LRPC**
    - *Causes...*
        - Indicates economic decline/increase in NRU
    - *Caused by...*
        - Leftward shift of LRAS (see above)
- **Leftward** shift of **LRPC**
    - *Causes...*
        - Indicated economic growth/decrease in NRU
    - *Caused by...*
        - Rightward shift of LRAS (see above)

FOREX

- **Rightward** shift of **supply**
    - *Causes...*
        - Exchange rate⇓ quantity of currency⇑
        - Currency depreciates
        - Increase in exports
        - AD increases == rGDP and PL increase
    - *Caused by...*
        - Increase demand for foreign goods
        - Increase in relative income
        - Appreciation of currency
        - increase in domestic interest rates/decrease in foreign interest rates
        - Decrease in foreign price levels
- **Leftward** shift of **supply**
    - *Causes...*
        - Exchange rate⇑ quantity of currency⇓
        - Currency appreciates
        - Increase in imports

    - AD decreases == rGDP and PL decrease
  - *Caused by...*
    - decrease demand for foreign goods
    - decrease in relative income
    - depreciation of currency
    - decrease in domestic interest rates/increase in foreign interest rates
    - decrease in foreign price levels
- **Rightward** shift of **demand**
  - *Causes...*
    - Exchange rate⇑ quantity of currency⇑
    - Currency to appreciate
    - Increase in imports == decrease in net exports = AD decreases
  - *Caused by...*
    - Increase in domestic interest rates
    - Decrease in domestic PL
    - Depreciation of domestic currency
    - Increase demand of domestic goods by foreign consumers
    - Domestic country being in a recessionary gap
- **Leftward** shift of **demand**
  - *Causes...*
    - Exchange rate⇓ quantity of currency⇓
    - Domestic currency to depreciate
    - Increase in exports == increase in net exports = AD increases
  - *Caused by...*
    - Decrease in domestic interest rates
    - Increase in domestic PL
    - Appreciation of currency
    - Decrease demand of domestic goods by foreign consumers
    - Domestic country being in an inflationary gap