Real Gross Domestic Product (GDPC1)
Source: U.S. Department of Commerce: Bureau of Economic Analysis

Shaded areas indicate US recessions.
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Real Gross Domestic Product (GDPC1)
Source: U.S. Department of Commerce: Bureau of Economic Analysis

Shaded areas indicate US recessions.
2014 research.stlouisfed.org
Real Gross Domestic Product (GDPC1)
Real Personal Consumption Expenditures (PCECC96)

Shaded areas indicate US recessions.
2014 research.stlouisfed.org
Okun’s Law

Percentage change in real GDP vs. Change in unemployment rate.
Figure 9.11 Long-Run Equilibrium

The diagram shows the long-run equilibrium in the economy. The graph plots the price level, $P$, on the vertical axis and income, output, $Y$, on the horizontal axis. The long-run aggregate supply (LRAS) and short-run aggregate supply (SRAS) curves intersect at $P_0$ and $\bar{Y}$, indicating the long-run equilibrium point where the price level is constant, and output is at its potential level.
1. A fall in aggregate demand...

2. ... lowers output in the short run...

3. ... but in the long run affects only the price level.
Figure 9.13 An Increase in Aggregate Demand

1. A rise in aggregate demand ...
2. ... raises output in the short run ...
3. ... but in the long run affects only the price level.
An adverse supply shock shifts the short-run aggregate supply curve upward, which causes the price level to rise and output to fall.

Figure 9.14 An Adverse Supply Shock
Figure 9.15 Accommodating an Adverse Supply Shock

1. An adverse supply shock shifts the short-run aggregate supply curve upward...

2. ... but the Fed accommodates the shock by raising aggregate demand, ...

3. ... resulting in a permanently higher price level ...

4. ... but no change in output.
Figure 11.5 Deriving the Aggregate Demand Curve with the IS–LM Model

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Figure 11.6 (b) How Monetary and Fiscal Policies Shift the Aggregate Demand Curve

1. A fiscal expansion shifts the IS curve, ...

2. ... increasing aggregate demand at any given price level.
Figure 11.6 (a) How Monetary and Fiscal Policies Shift the Aggregate Demand Curve
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1. A monetary expansion shifts the LM curve, ...

2. ... increasing aggregate demand at any given price level.