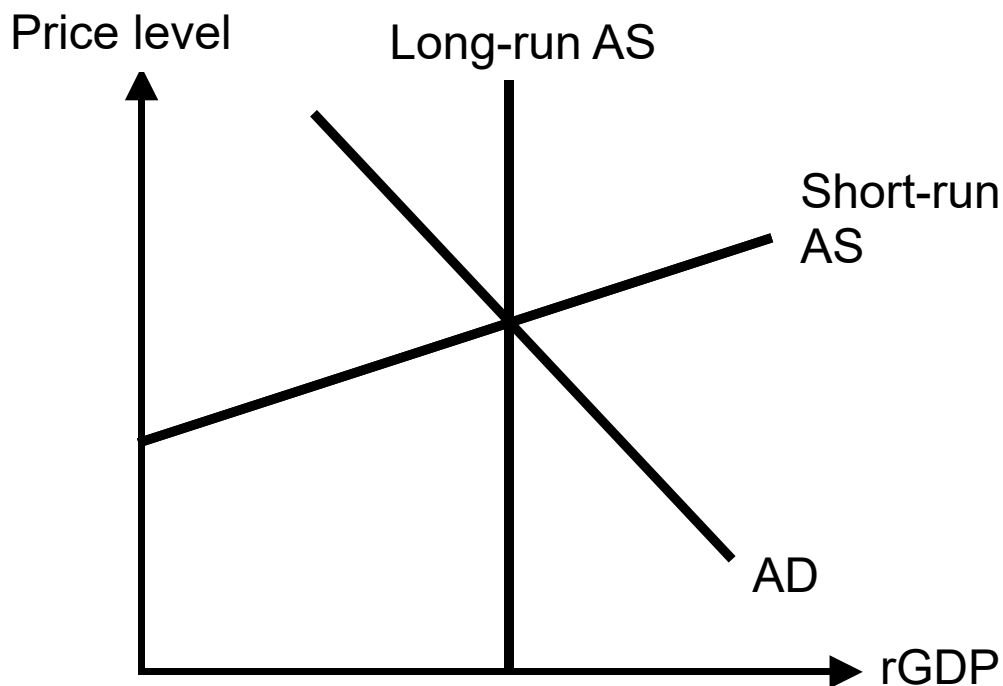


Equilibrium (rigid input costs)

- ⇒ On the basis of the graph below, the following events take place:
- 1 There is a decline in consumption due to **fears of recession**.
 - 2 Since input costs (wages, etc.) are **rigid**, the long-run equilibrium must be brought about by **fiscal policy** measures (government consumption or taxes).
- What is the impact of these events on the graph and on the economy?



Abbreviations:

AD = Aggregate demand	rGDP = Real gross domestic product
AS = Aggregate supply	

[Click here to get the answer!](#)