

Shocks

Shocks can affect both supply and demand, and they can be positive or negative.

I Examples of shocks

Supply shocks

11 positive: declining raw material prices

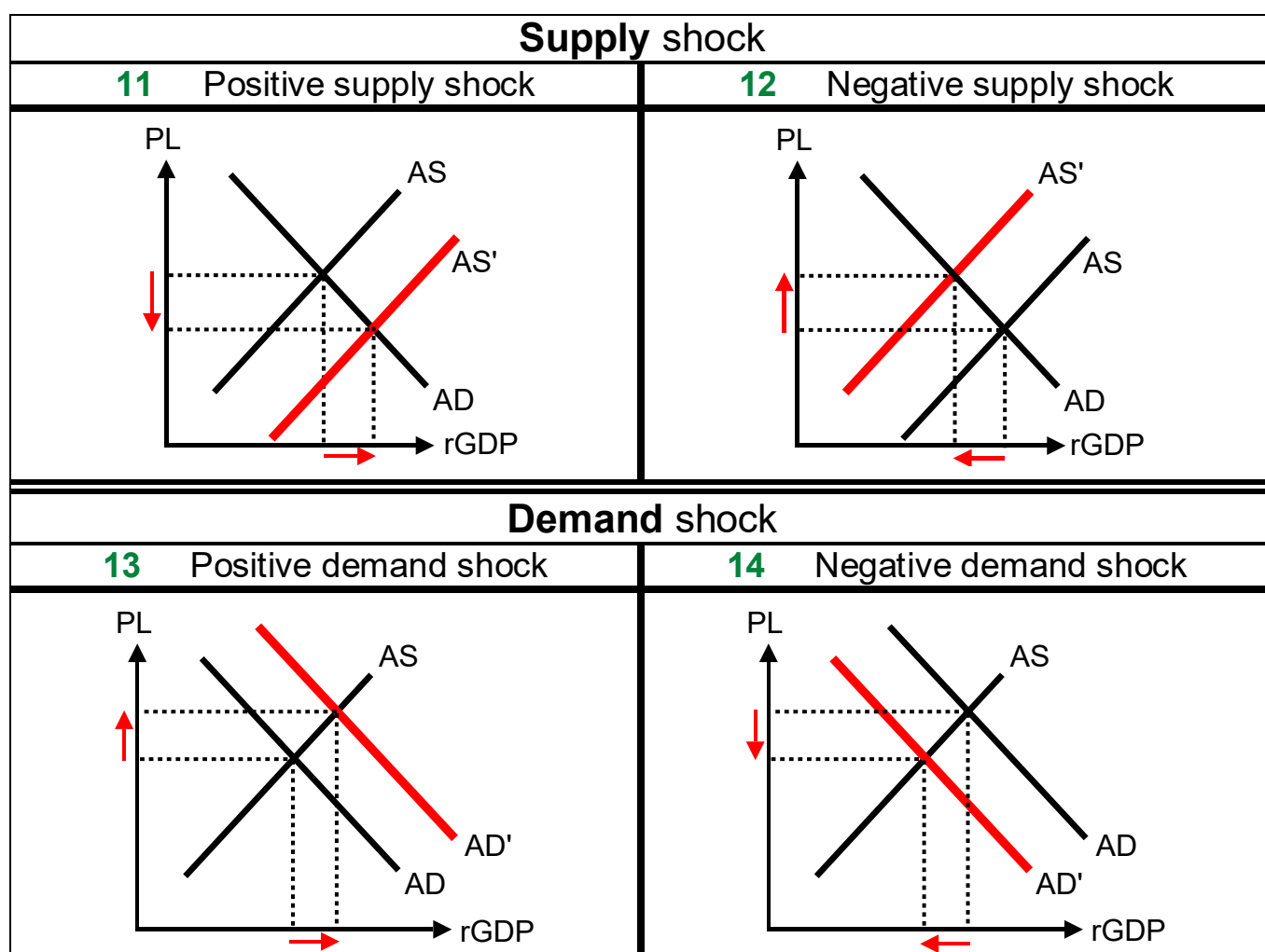
12 negative: oil crisis 1973

Demand shocks

13 positive: stock market boom

14 negative: New York 9/11

II Shocks, presented graphically



PL = Price level
AS = Aggregate supply

rGDP = Real gross domestic product
AD = Aggregate demand