

# DETERMINANTS OF AGGREGATE SUPPLY

	<i>Event</i>	<i>Related Effects (if any)</i>	<i>Impact on AS</i>	<i>Additional Notes</i>
<b>A. Input Prices</b>	Input Prices Rise			
	Input Prices Fall			
<i>1) Domestic Resource Availability</i>	Domestic Resources become More Available			
	Domestic Resources become Less Available			
a) Land	Amount of Land Resources Available Increases			
	Amount of Land Resources Available Decreases			
b) Labor	More Labor Available			
	Less Labor Available			
c) Capital	Stock of Capital Increases			
	Stock of Capital Decreases			
	Improved Equipment			
	Poorer Equipment			
d) Entrepreneurial Ability	More Entrepreneurial Ability			
	Less Entrepreneurial Ability			
<i>2) Prices of Imported Resources</i>	Prices of Imported Resources Increases			
	Prices of Imported Resources Decreases			
a) Exchange Rates	\$US Appreciates			
	\$US Depreciates			
<i>3) Market Power</i>				
<p>This factor has to be taken on a case-by-case basis. It will depend on how a group or organization uses its market power. In some instances, the exercising of one's power in the market may increase the price of resources, while in other instances, an exercise of market power may lower the prices of resources. However, in general:</p>				
	Exercise Increases Input Price			
	Exercise Decreases Input Price			

<b>B. Productivity</b>	
Productivity = $\frac{\text{total output}}{\text{total inputs}}$	per-unit production cost = $\frac{\text{total input cost}}{\text{total output}}$
	Productivity Increases Productivity Decreases
<i>1) Per-Unit Production Cost</i>	Per-Unit Production Cost Increases Per-Unit Production Cost Decreases
a) "Quality of Labor"	Better Educated and Trained Workforce Worse Educated and Trained Workforce
b) Technology	Improved Production Technology Worsening Production Technology
c) Allocation of Labor Resources	Better Allocation of Labor Resources Worse Allocation of Labor Resources
<b>C. Legal-Institutional Environment</b>	
<i>1) Taxes and Subsidies</i>	
a) Business Taxes	Business Taxes Increase Business Taxes Decrease
b) Subsidies	Government Subsidies Increase Government Subsidies Decrease
c) Government Regulation	More Government Regulation Less Government Regulation