Groups between 3 to 5 (Note: if you have Six form two groups of three).

Part 1: Answer the following questions on this sheet.

Part 2: Take turns being the Camera man so that each member appears appear in one of the three photos, which are being submitting on blackboard (also have one or more students holding up their fingers indicting which model is in the photo). If you have an app that would add names of each students by their face in the photo (2 point bonus).

Part 3: Hand in the Answer sheet and Each student should upload a photo they are pictured in and one member of the group should upload all 3 photos (See Blackboard-turn-in link.)

**Model 1:** Positive LRAS shift (Remember what shifts LRAS also shift SRAS).

Give an Example of a POSITIVE LRAS shift that may be occurring in the current US. Economy.

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**For the next two models assume the LRAS is not changing (Classical dichotomy)**

**Model 2**: Event News 2018 US Consumer confidence at an all-time high since 2000 (hint: (Model the Short run shift with Red pool noodle).

Is the economy producing (more/ or less) than the natural rate of output? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Teaching point: SRAS shift when we re-adjust our price expectation. Un- sticking of wages, prices and misperception adjust when inflation is now seen in the economy and price expectations are re-adjusted to reflect what I think I will pay for inputs and wages in the future. (this is from the Classical school of thought). On Model 2: Now use a green pool noodle to show this shift.

**Model 3:** Significant Increase in Input prices to all industries and business (Examples of types of events that could cause this impact, Increase in Oil Prices, Raise Minimum wage to $15).

What do economist call a recession that is experiencing inflation? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_