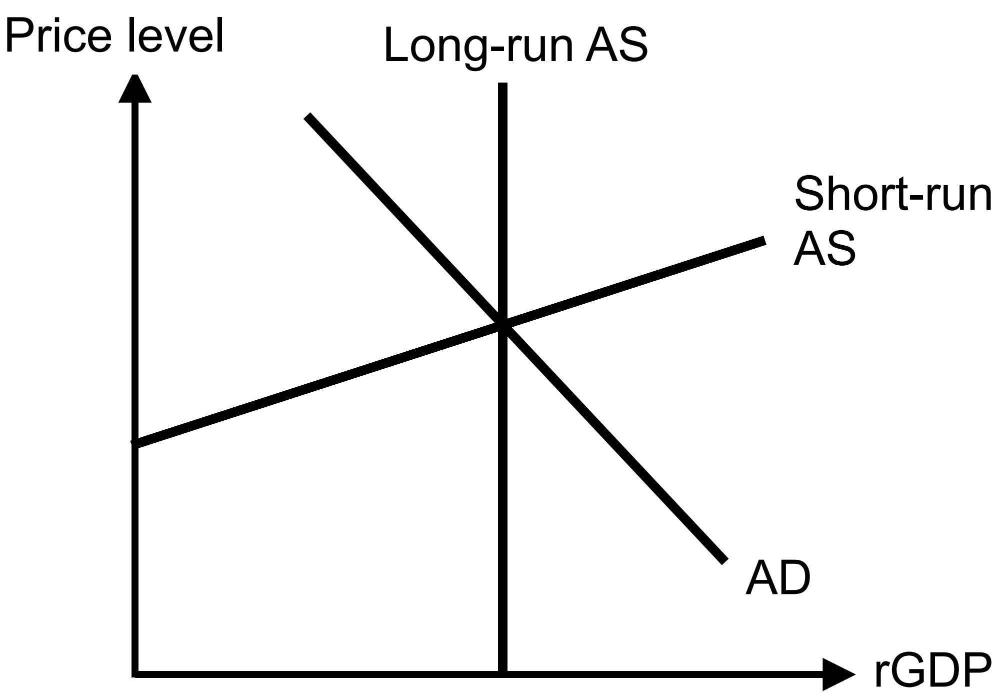
Equilibrium (flexible input costs)

⇨ 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. Due to the economic situation, wages and other **input costs decrease** until the long-run equilibrium is reestablished again.

How do these events impact on the graph and on the economy?



Abbrevations:

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

Click here to get the answer!