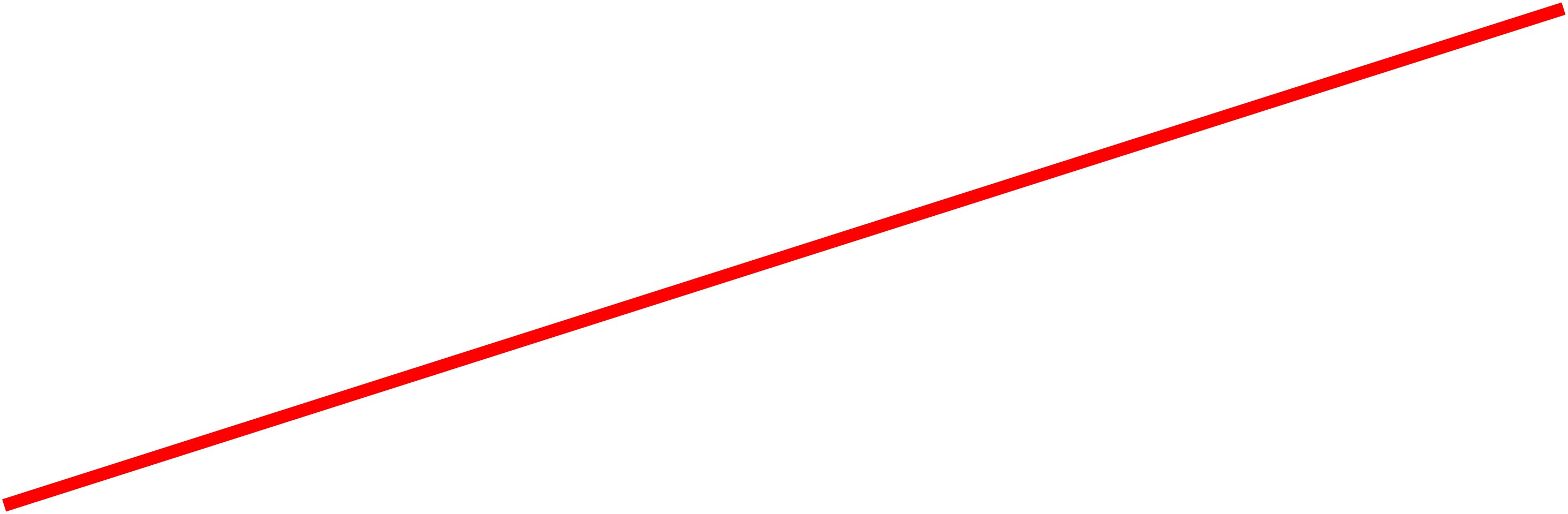


A

E





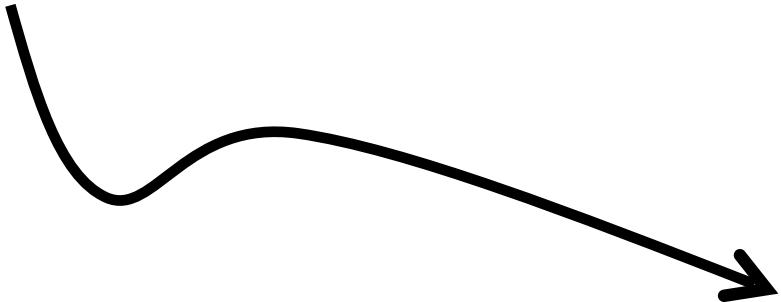




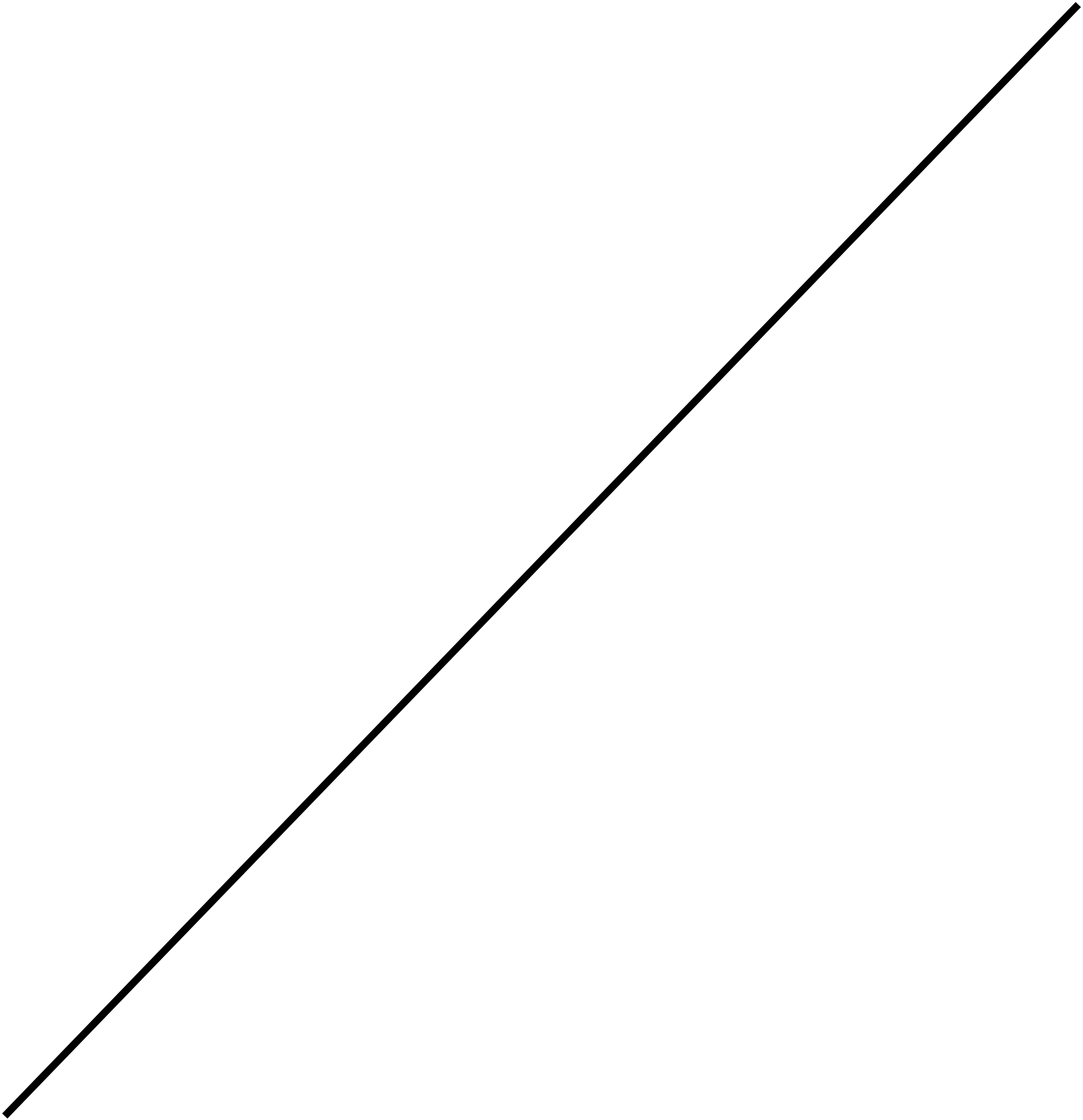


Lower  $Y^*$

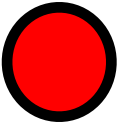
Equilibrium







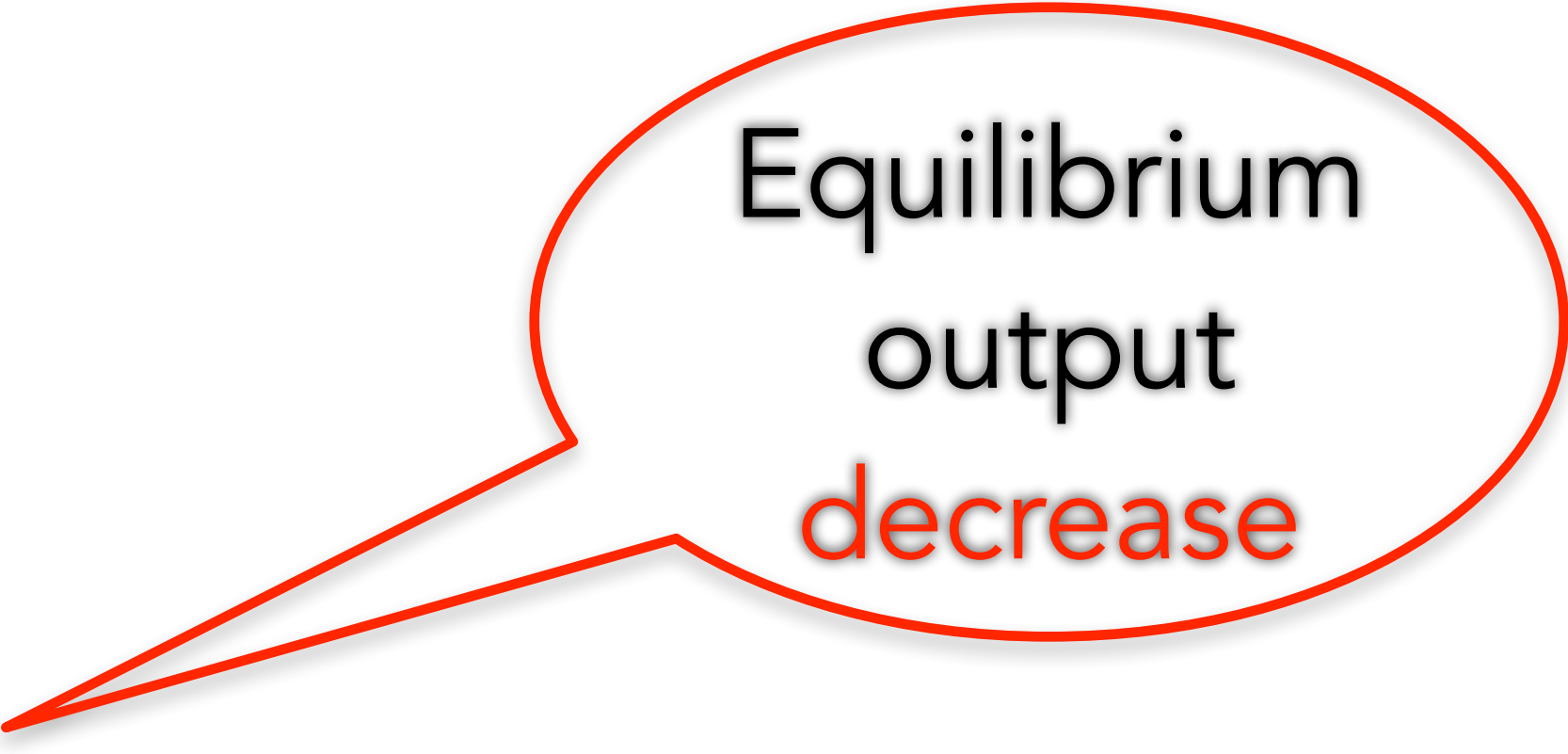




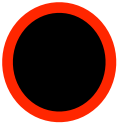


Firms  
decrease  
output

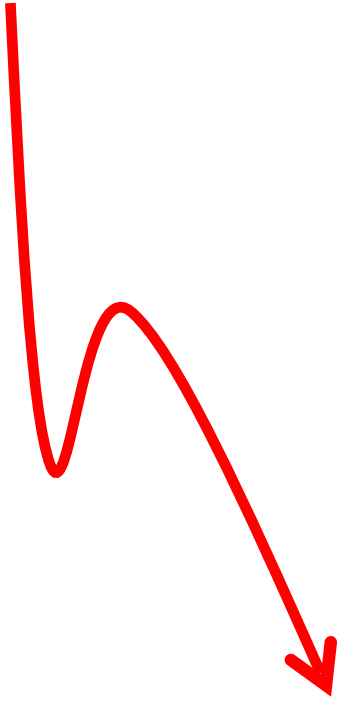




Equilibrium  
output  
decrease







**AE. O**

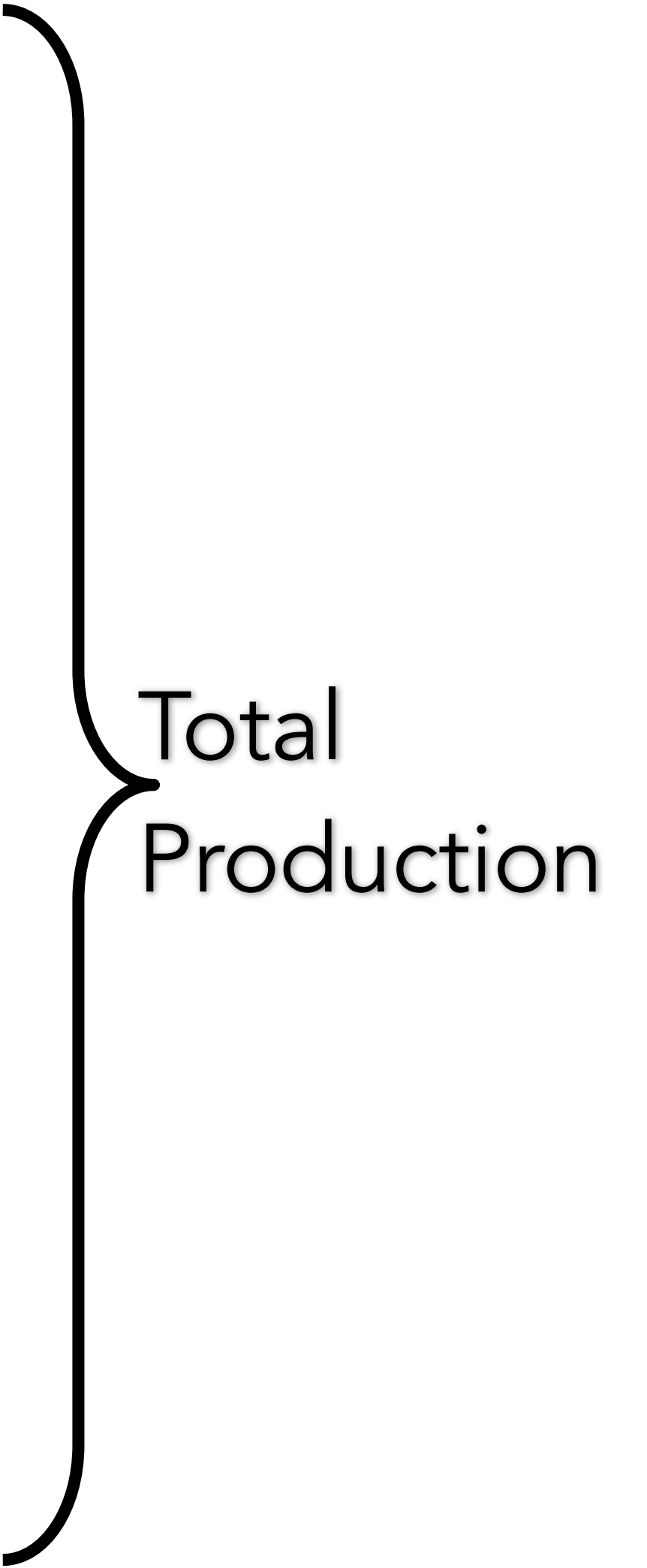
GDP/Income



Unemployment  
increase







Total

Production

Total  
Purchases



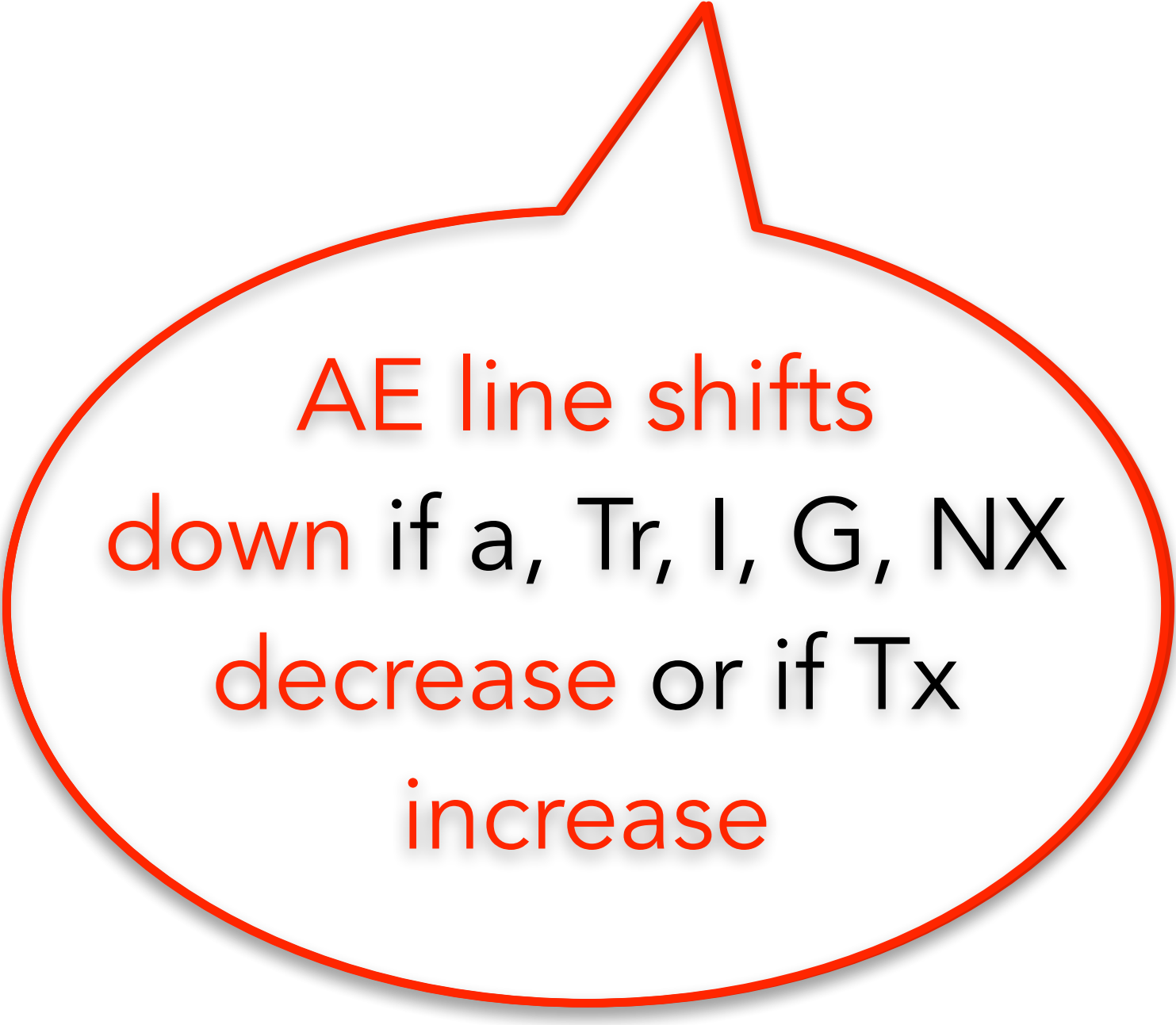
Inventories  
rise

AE<sub>1</sub>

Y

O

\*



AE line shifts  
down if  $a$ ,  $Tr$ ,  $I$ ,  $G$ ,  $NX$   
decrease or if  $T_x$   
increase

New Equilibrium

