

AE_0

Y_0

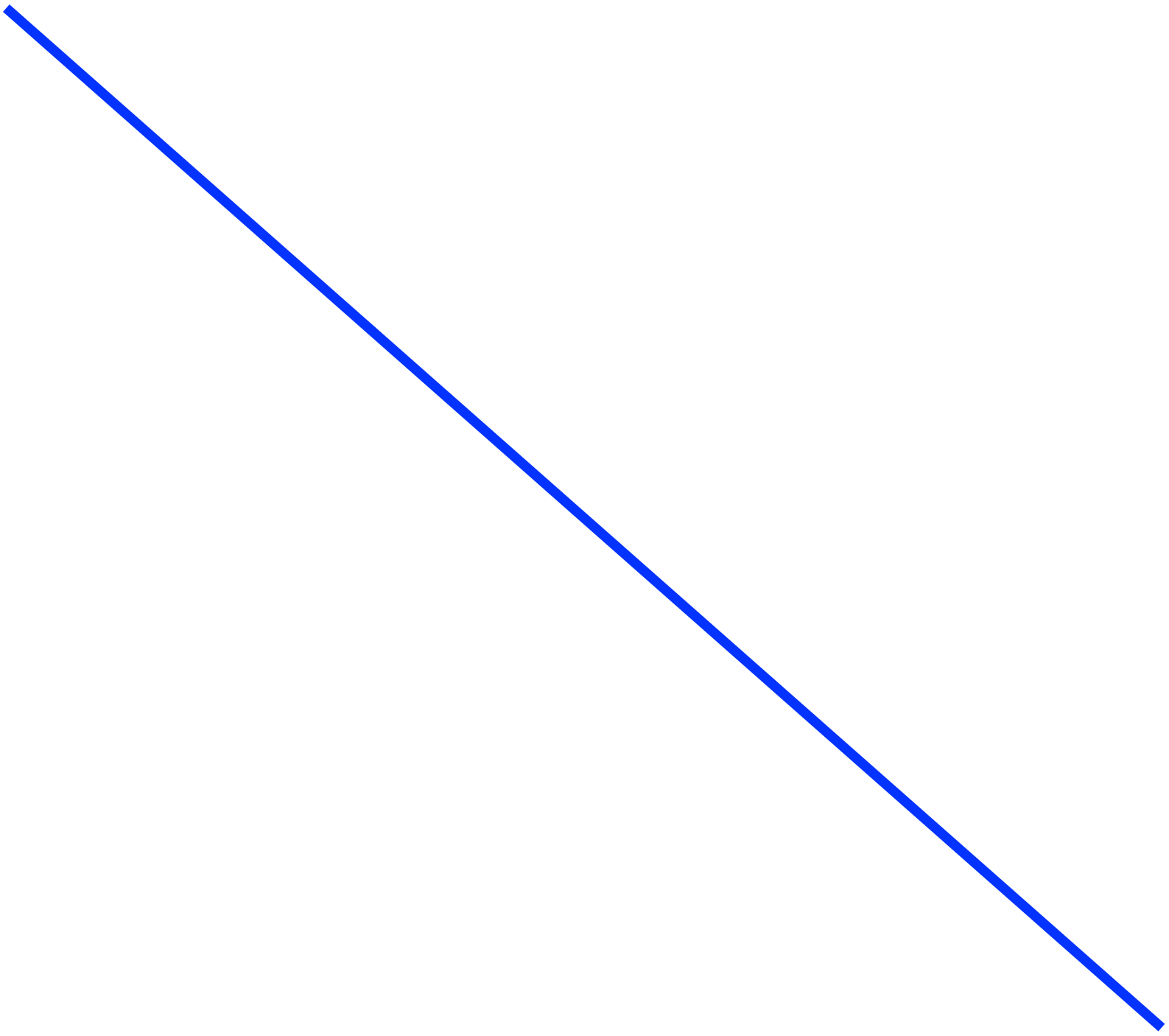
At Potential GDP



Price Level
(CPI)



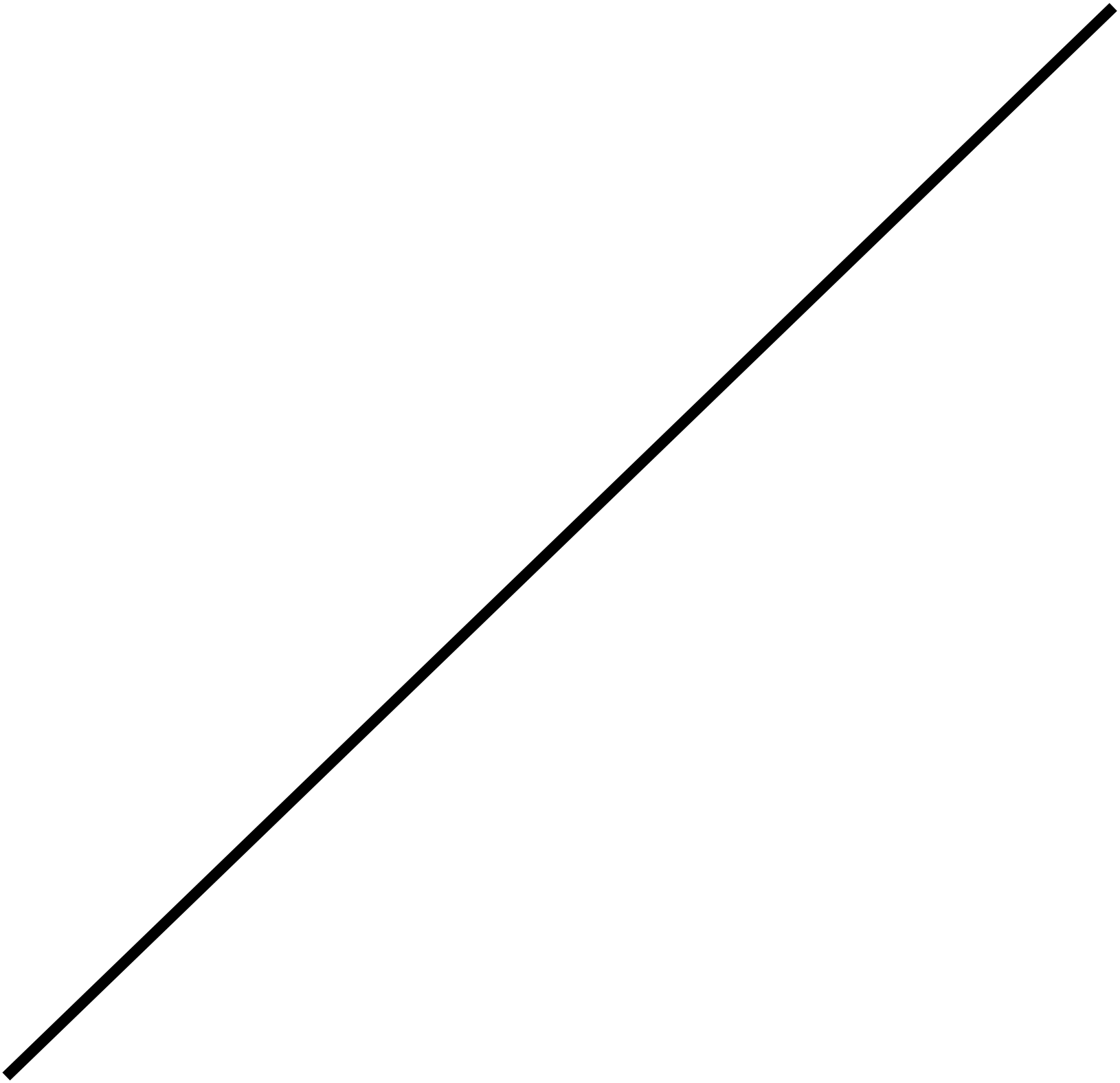




AD₀

P₁ - - - - -

AS₀



GDP₀



At Potential GDP

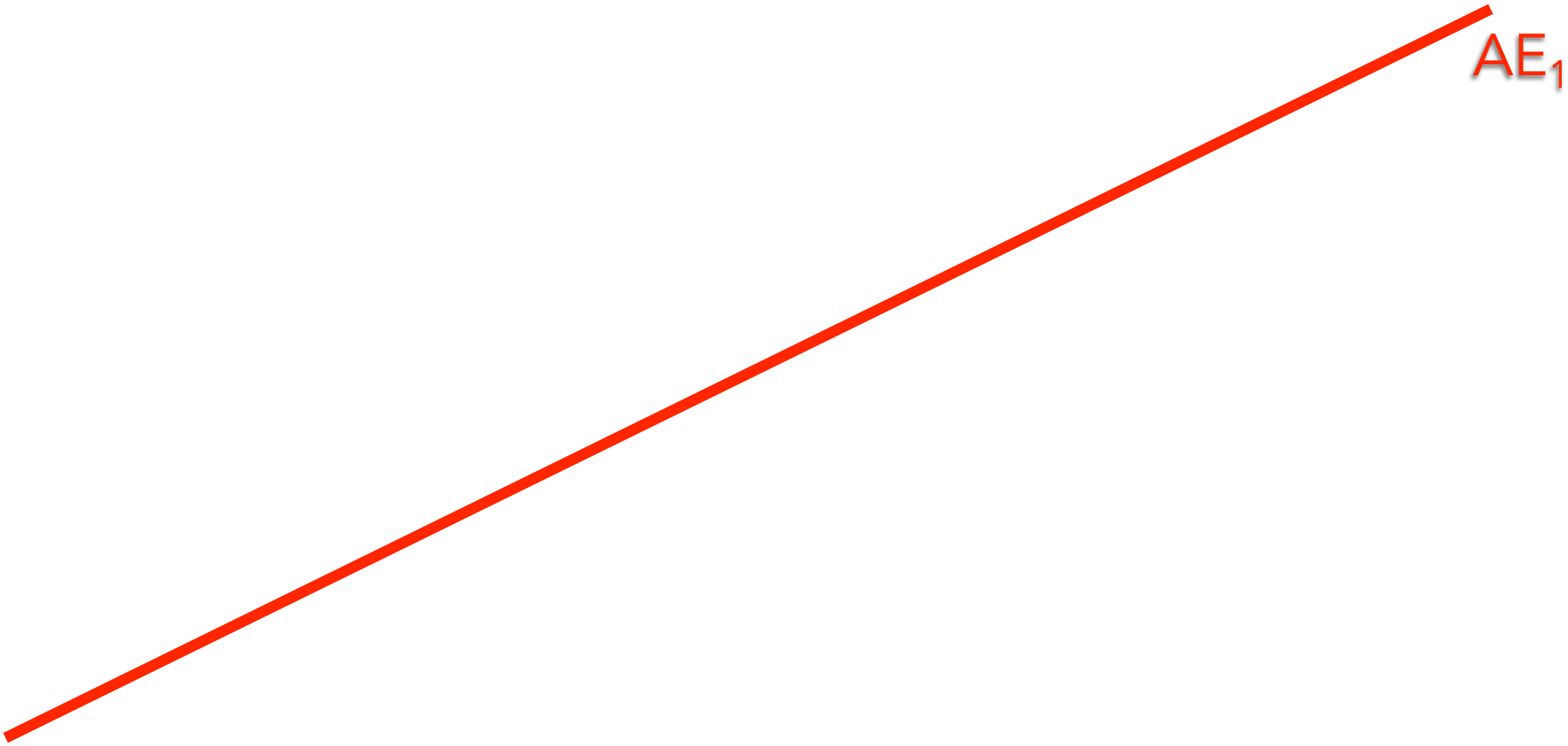


Recessionary Gap



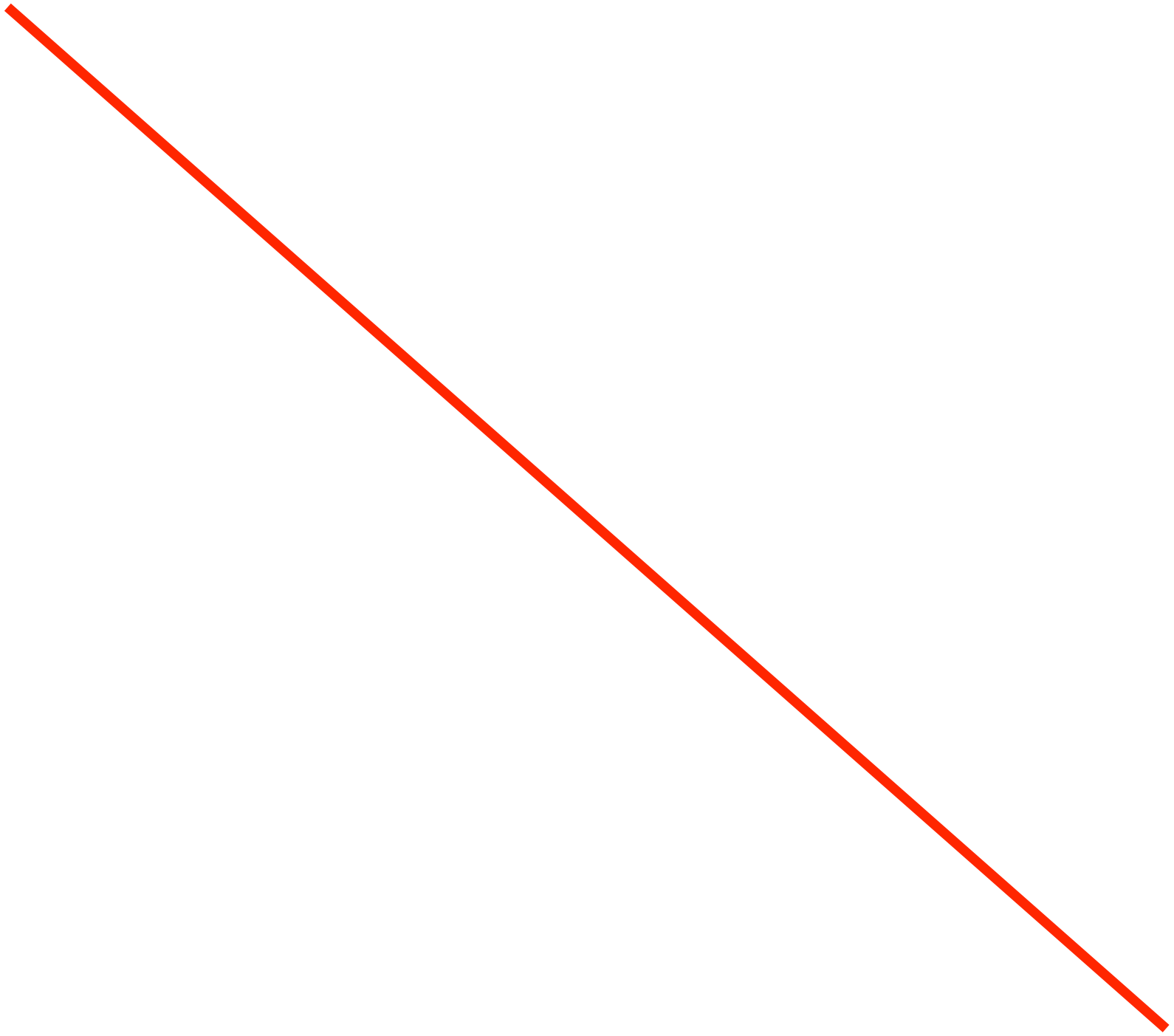
Recessionary Gap





Increase in AD





AD₁

To close a **Recessionary** Gap, Aggregate Expenditures
and Aggregate Demand must **increase**

Po

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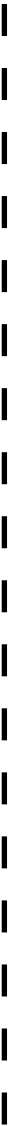
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GDP₁



To close a **Recessionary** Gap, Aggregate Expenditures and Aggregate Demand must **increase**

