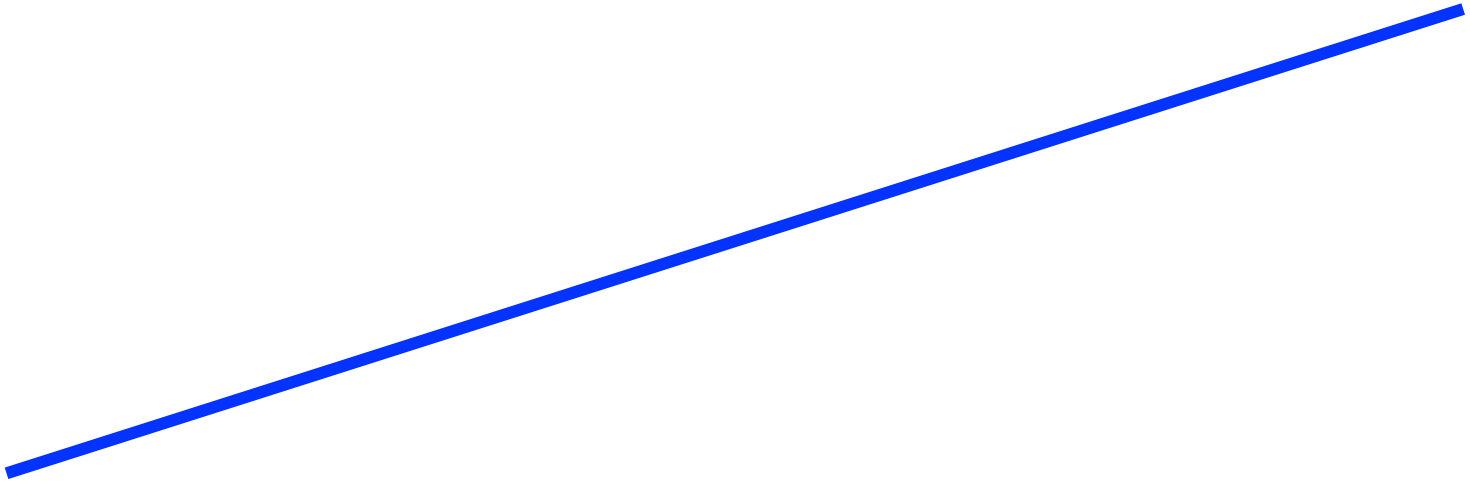


A

E





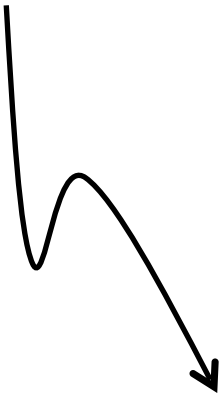


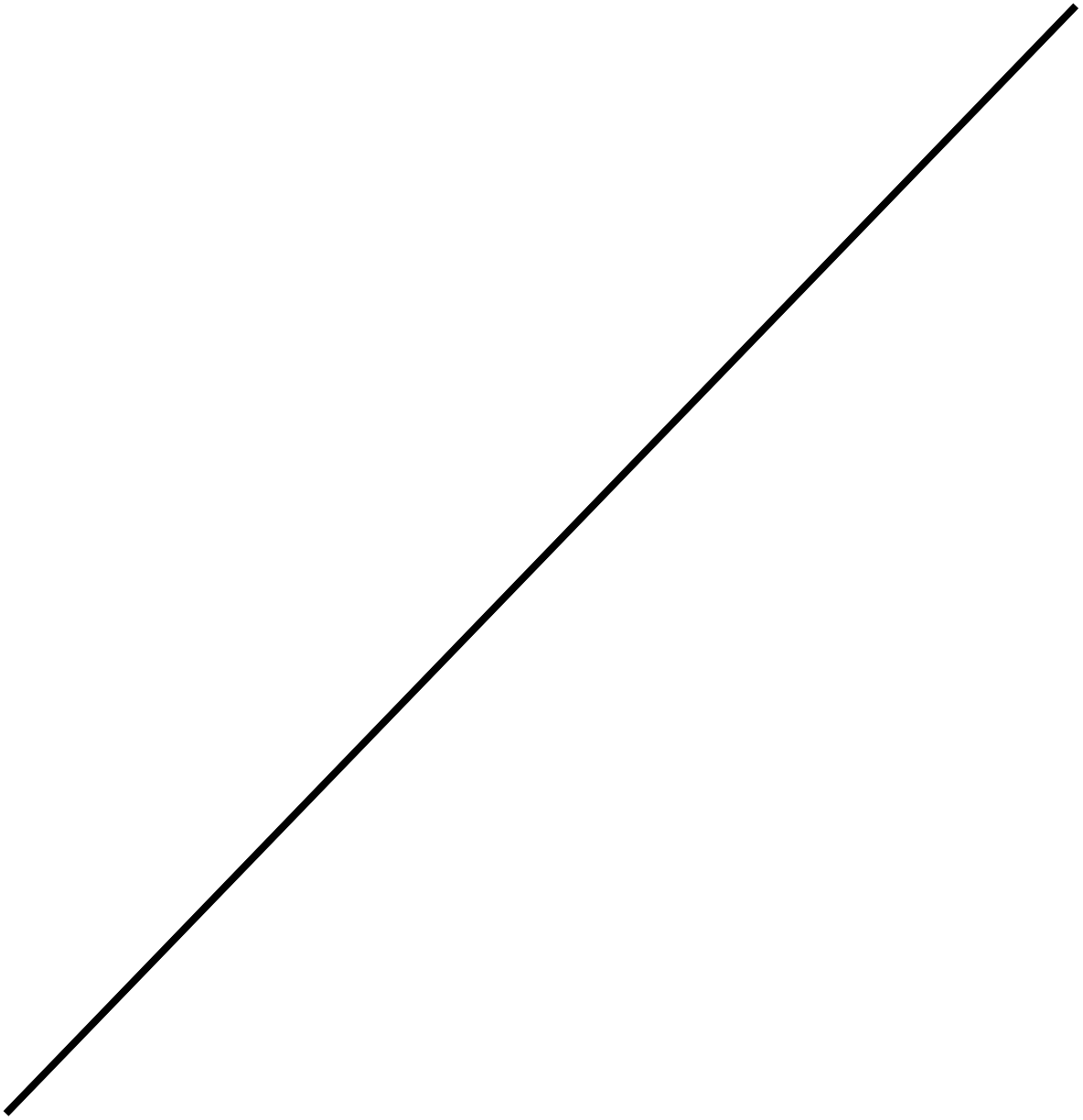




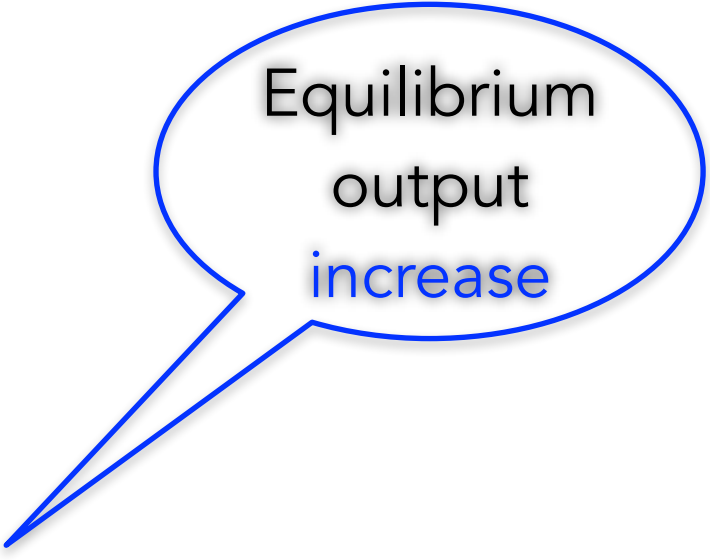
Higher  $Y^*$

Equilibrium







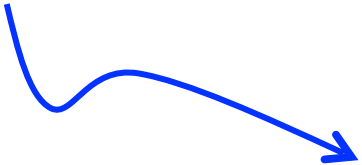


Equilibrium  
output  
increase









AE. O.

GDP/Income



Unemployment  
decrease





Total

Production

Total  
Purchases



Inventories  
fall



AE<sub>1</sub>

Y

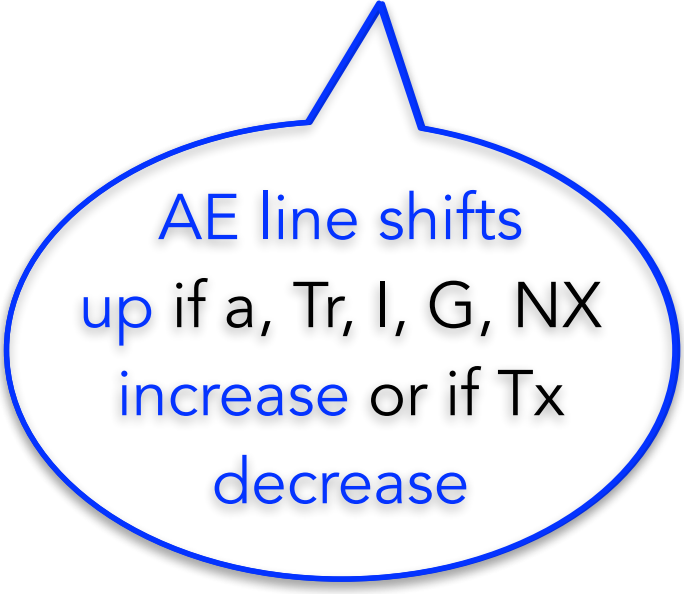
\*

0



Firms  
increase  
output

New Equilibrium



AE line shifts  
up if  $a$ ,  $T_r$ ,  $I$ ,  $G$ ,  $NX$   
increase or if  $T_x$   
decrease

