

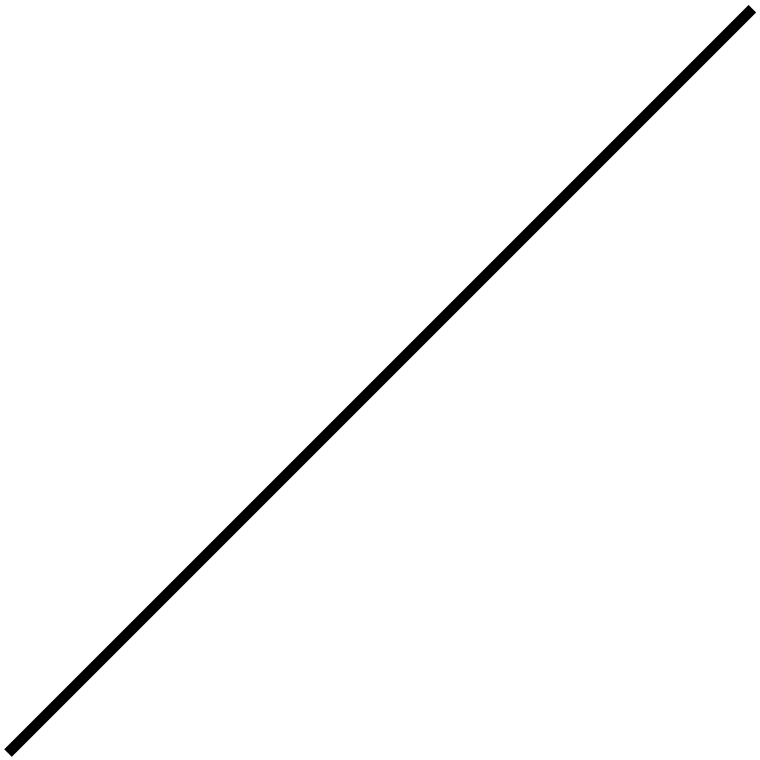




3000











AE  $\geq$  3,000

Output = 3,0000

**Potential  
GDP**

AE<sub>0</sub>

1. Is the economy at equilibrium?



2. TotalSpending( $\succ \equiv \prec$ )Output

3. Inventories (rise, fall, remain the same)

4. Firms will (increase, decrease, not change) output.

5. Once the Economy reaches equilibrium, will the economy experience a (recessionary, inflationary) gap? Size of the Gap = \_\_\_\_\_

6. At equilibrium the economy experiences (unemployment/labor shortage)











5000 - 4000 = 1000



4000

5000

No



Recessionary gap

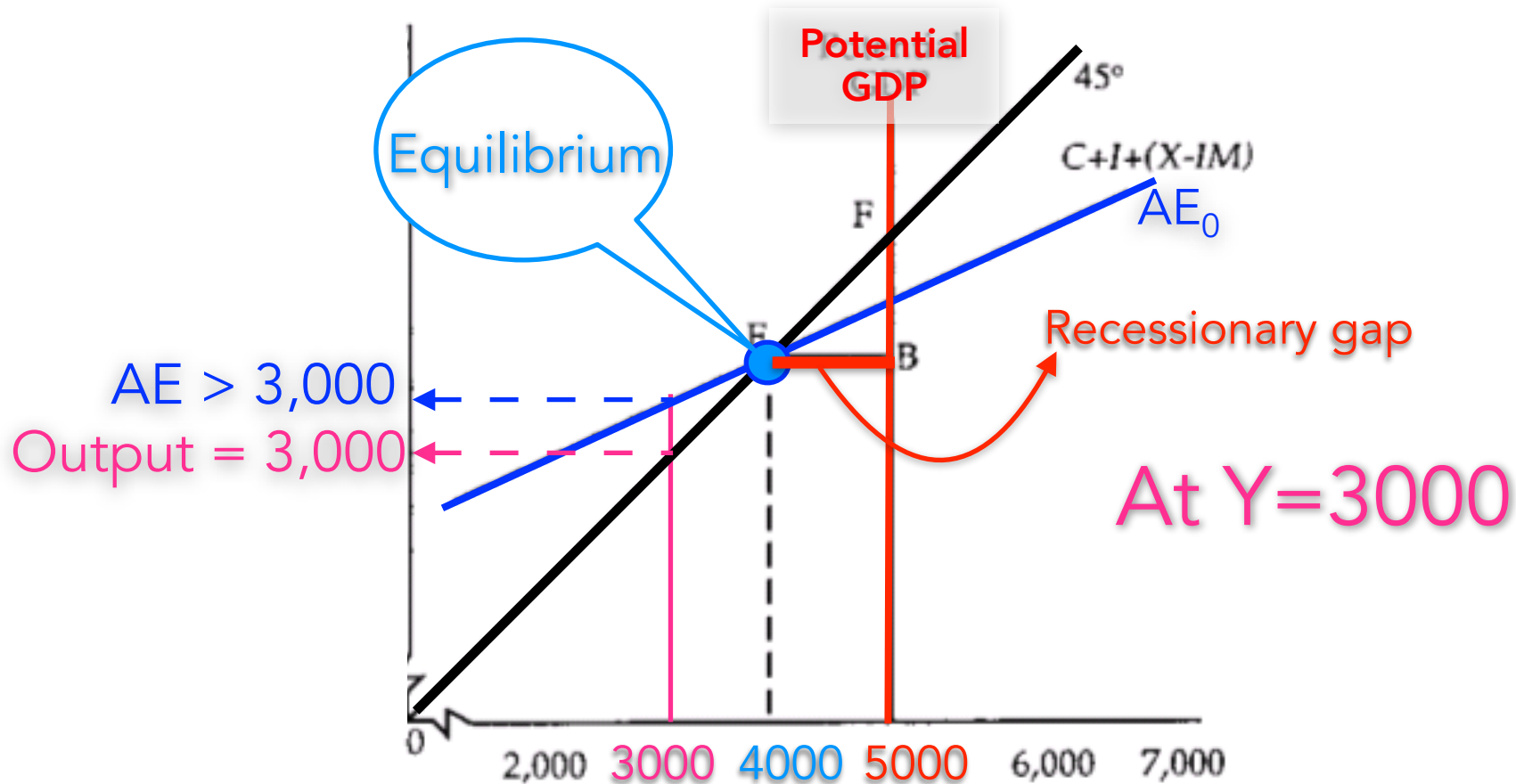






Equilibrium

At YY = 30000



1. Is the economy at equilibrium ? No
2. Total Spending ( $> = <$ ) Output
3. Inventories (rise, fall remain the same)
4. Firms will (increase, decrease, not change) output.
5. Once the Economy reaches equilibrium, will the economy experience a (recessionary, inflationary) gap? Size of the Gap =  $5000 - 4000 = 1000$
6. At equilibrium the economy experiences (unemployment/labor shortages)

