



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

1. Decrease Taxes and/or Increase Transfers to increase Consumption

2. Increase Government Spending

3. Decrease interest rate to increase investment

Expansionary Policy

## Expansionary Policy

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

1. **Decrease** Taxes and/or Increase Transfers to increase Consumption
2. **Increase** Government Spending
3. **Decrease** interest rates to increase investment

