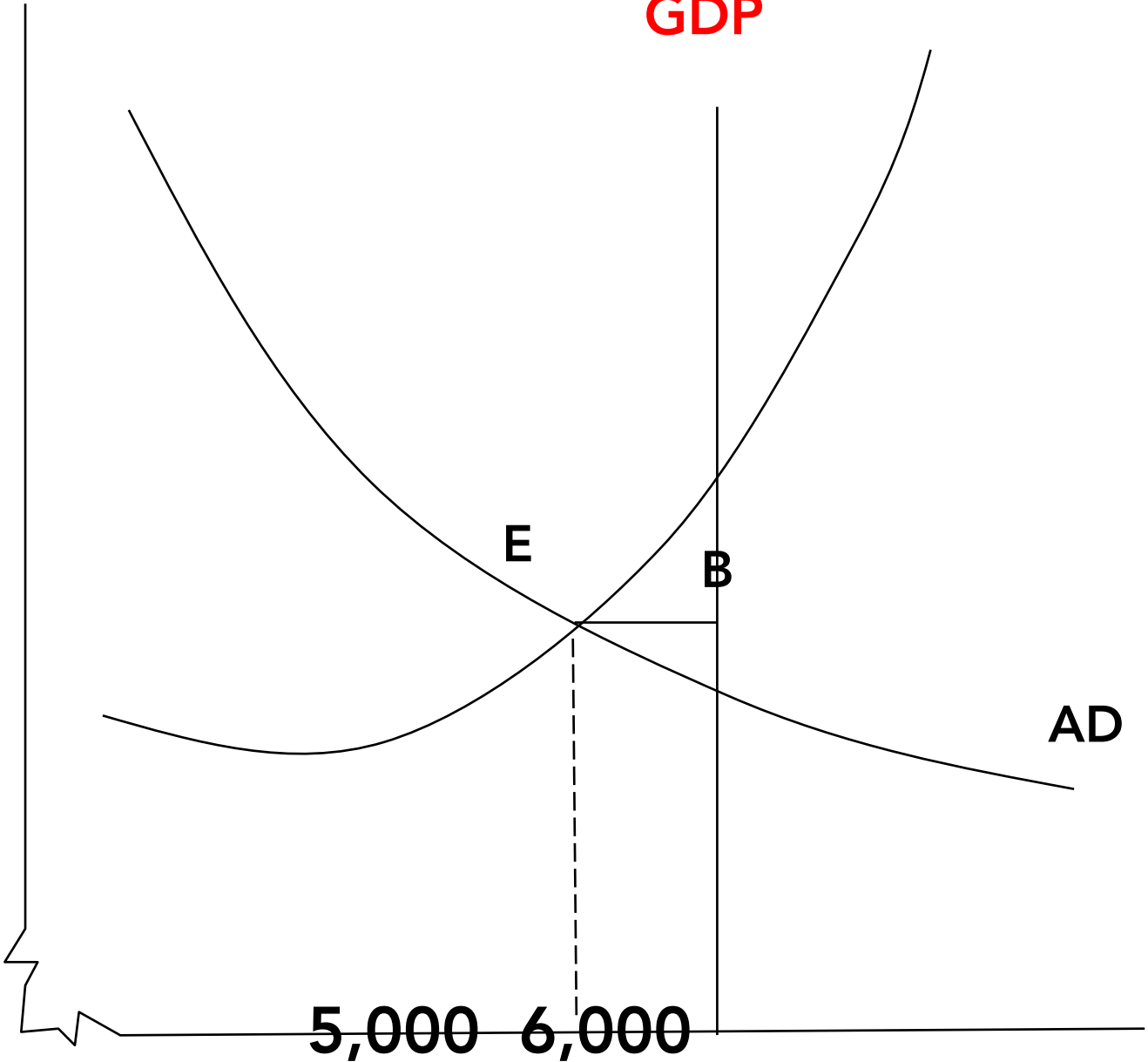
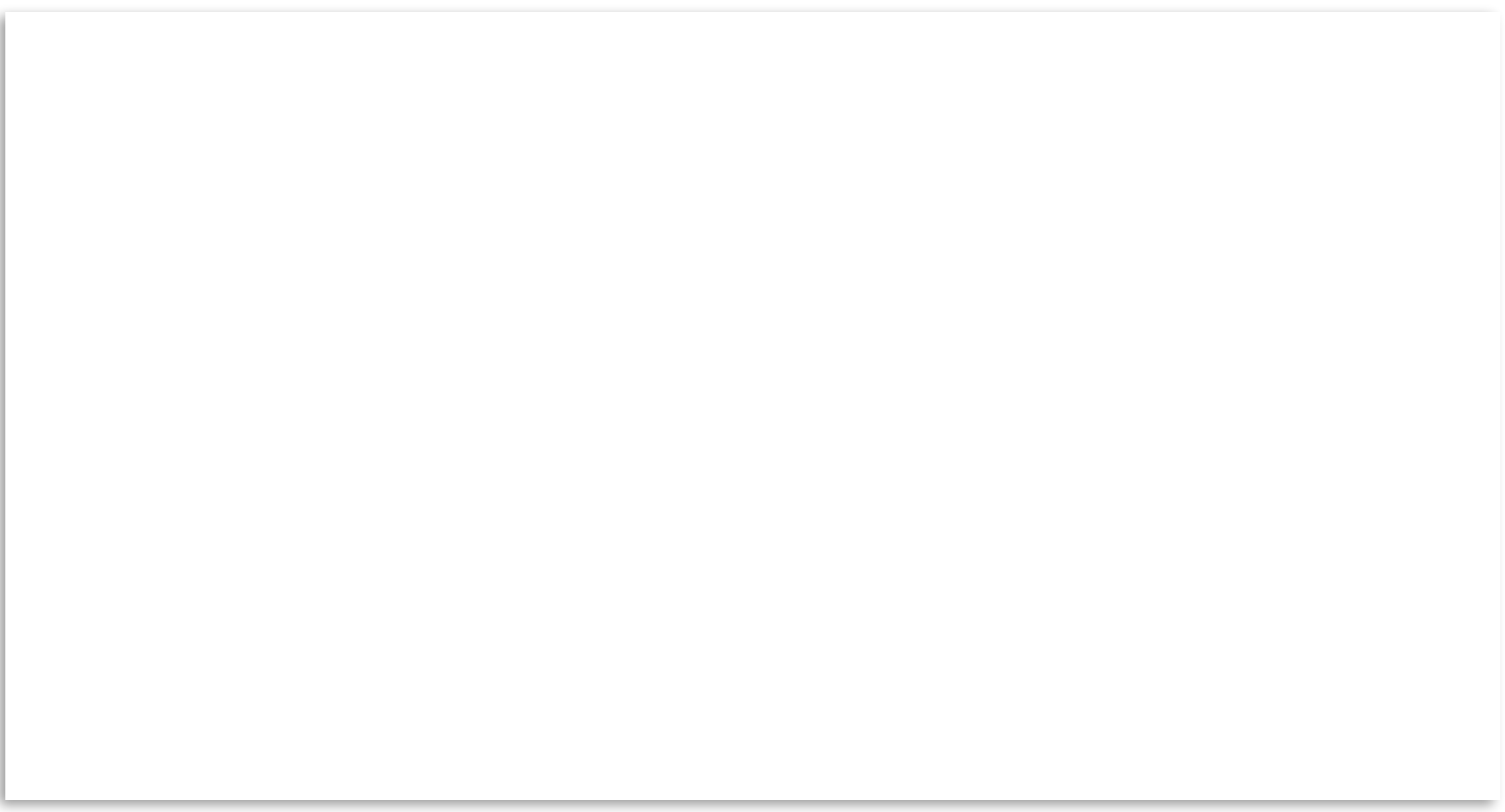


Potential GDP



**Is the economy experiencing
a recessionary? Or an
Inflationary gap?**

To close the gap we need to
increase? Or Decrease AE and
AD?



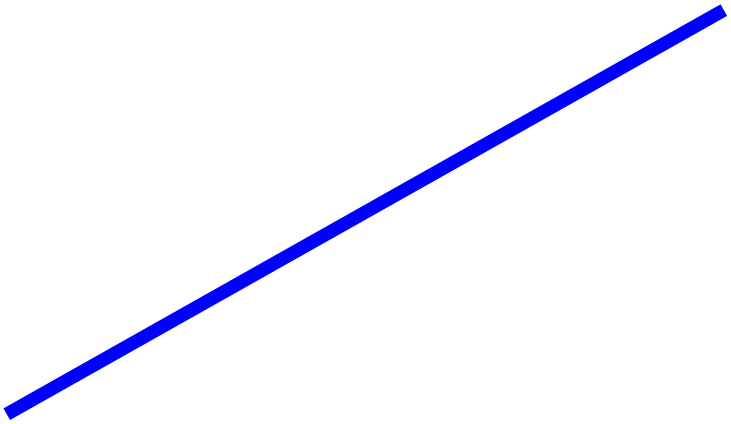
**Decrease Taxes (Increase
Transfers)**

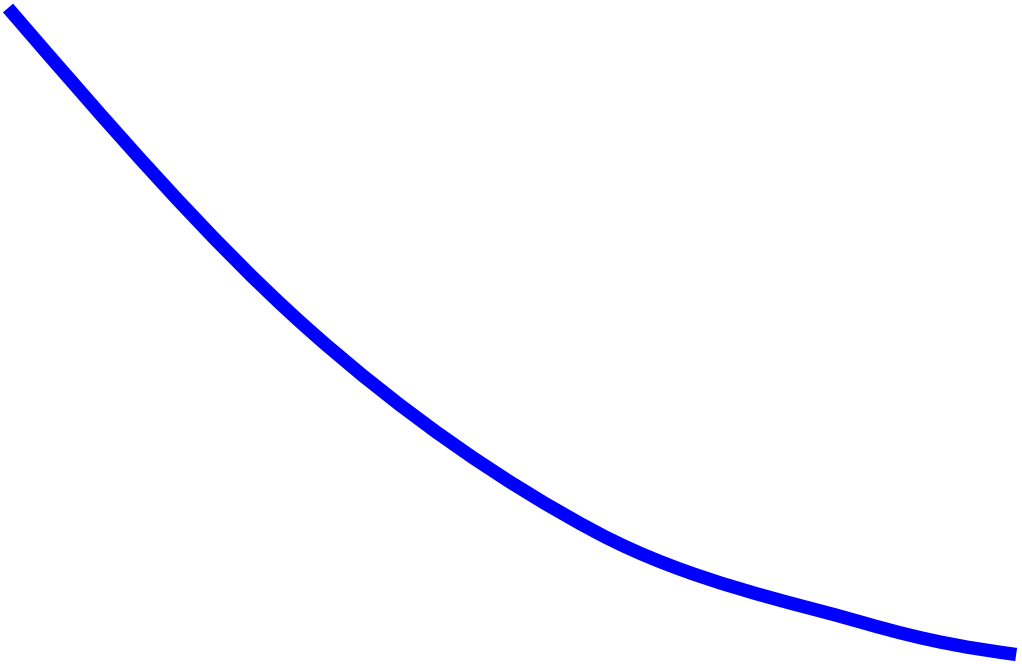
**Increase Government
Spending**

Decreases Interest Rates

Increase AD









G



C



Potential
GDP















Fiscal Policy

Monetary

Expansionary Policy

Increase AE



Increase AE

Expansionary Policy

Decrease Taxes (Increase

Transfer Payments)

Increase AD

Increase Government

Spending

Decrease Interest Rates

Fiscal
Policy

Monetary

G
C

