

Does the US economy has a self correcting mechanism?

YES

- When there is “too much spending”-when AD increases beyond the capacity of firms to produce-

• The economy experiences an inflationary gap.

- Wages increase, AS shifts left and prices increase slowing down AD

Does the US economy has a self correcting mechanism?

YES

- When there is "too much spending"-when AD increases beyond the capacity of firms to produce-
- The economy experiences an inflationary gap.
- Wages increase, AS shifts left and prices increase slowing down AD

Does the US economy has a self correcting mechanism?