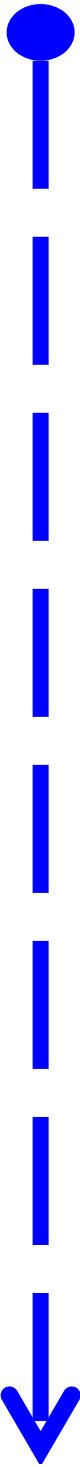


Which AE line will cause a
recessionary gap?

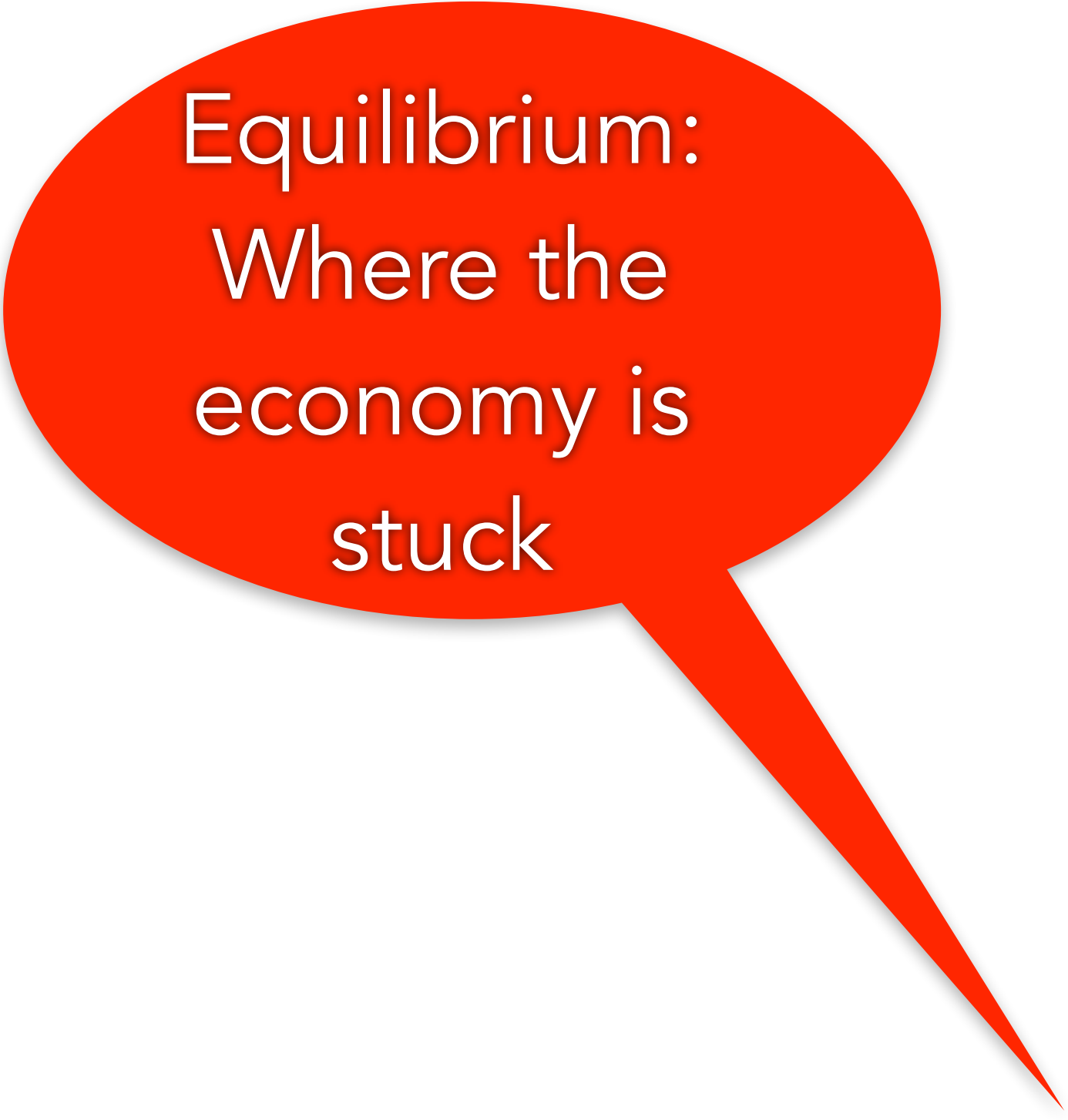
Which AE line will cause
an Inflationary gap?



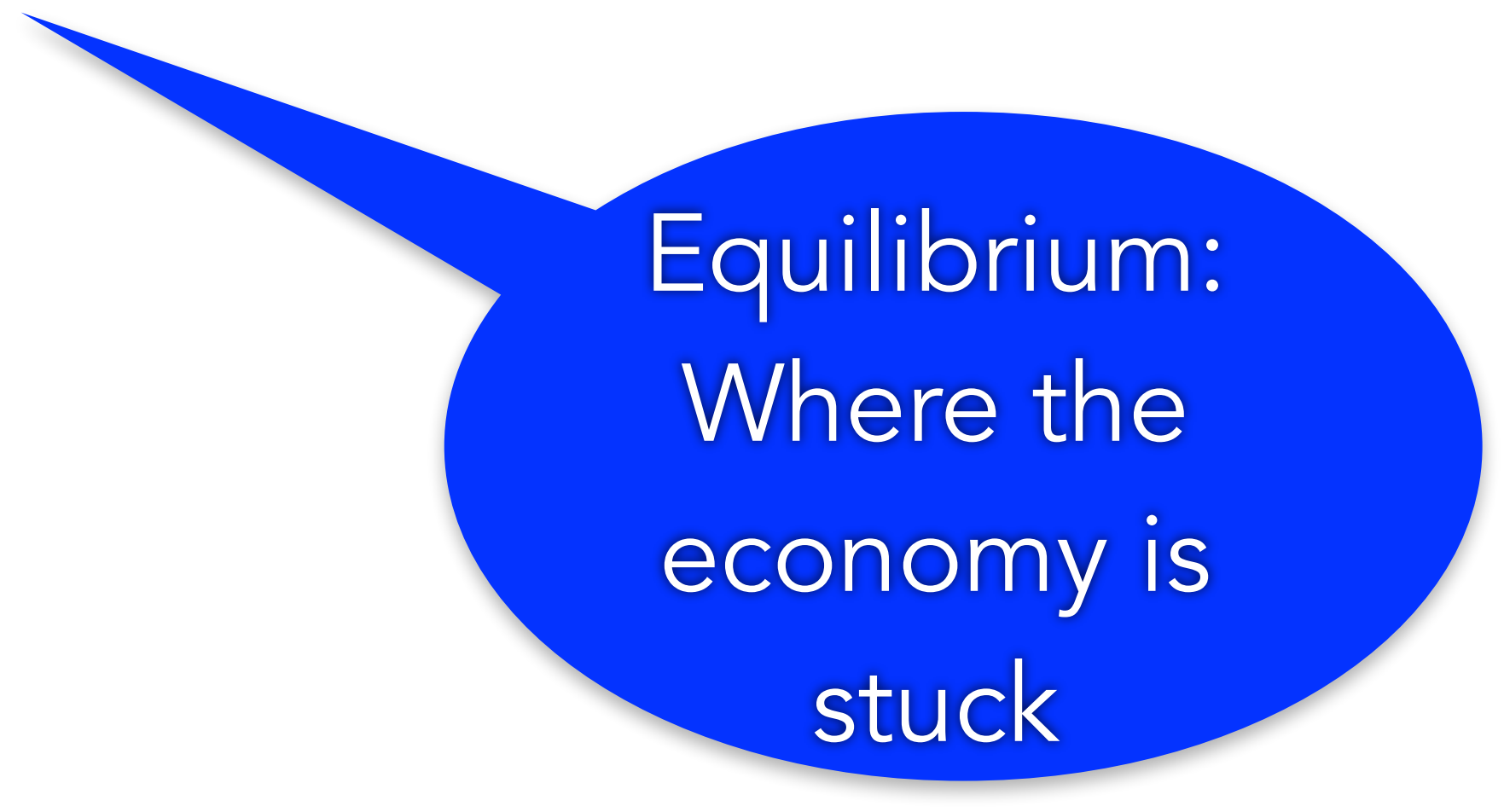
Actual GDP Lower
than Potential GDP



Actual GDP Higher
than Potential GDP



Equilibrium:
Where the
economy is
stuck



Equilibrium:
Where the
economy is
stuck

