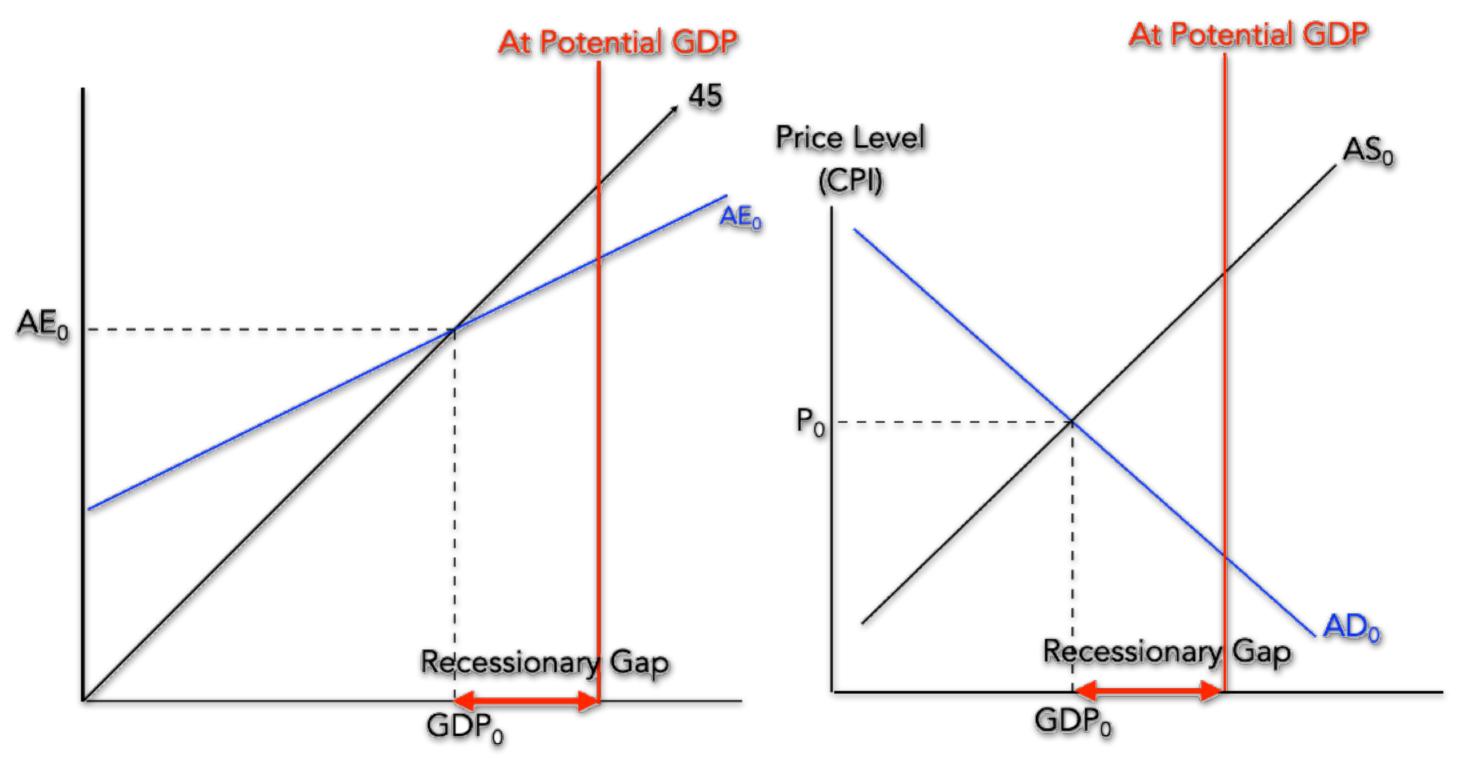
## To close a Recessionary Gap, Aggregate Expenditures and Aggregate Demand must increase

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

# 2. Increase Government Spending

# **Expansionary Policy**

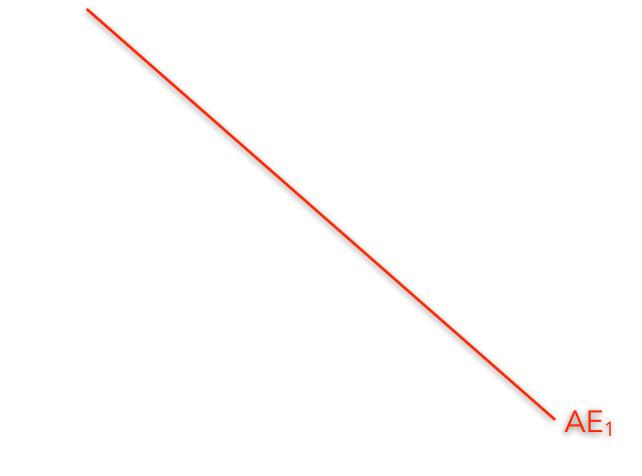


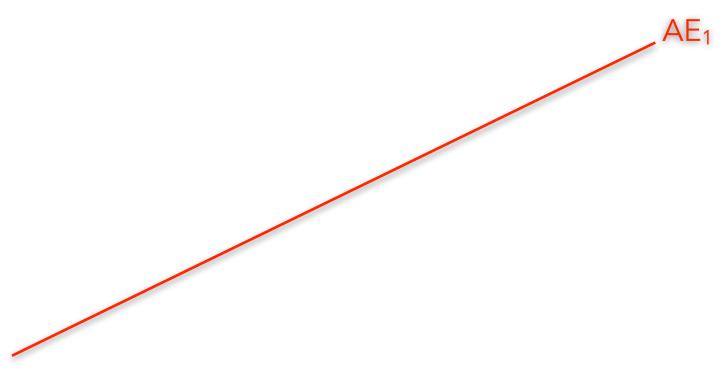
## 3. Buy bonds to increase the Money Supply and cause a drop in all interest rates to promote an increase in Investment

#### 3. Decrease interest rates to increase investment





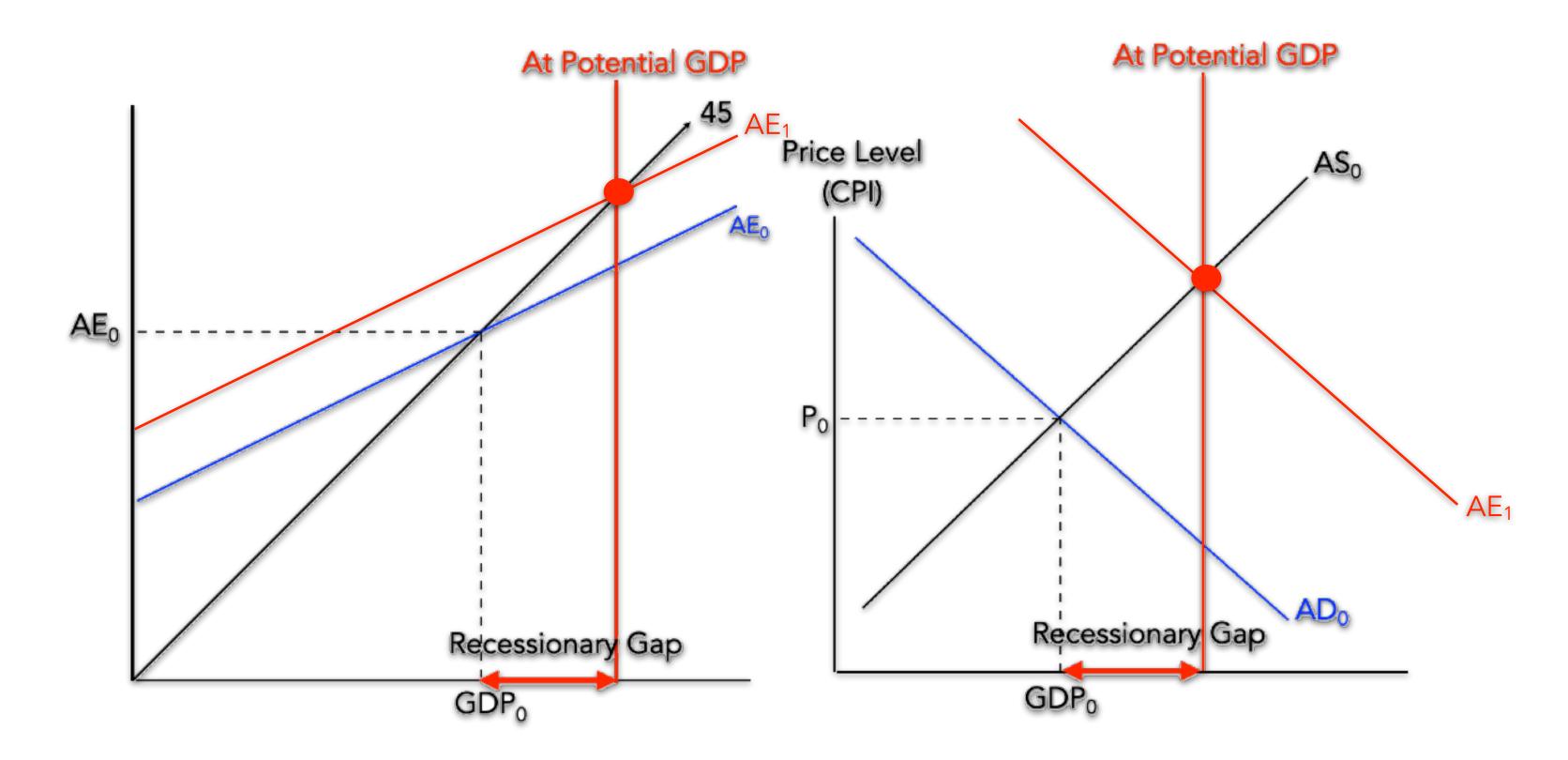








### **Expansionary Policy**



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. Buy bonds to increase the Money Supply and cause a drop in all interest rates to promote an increase in Investment

Expansionary Fiscal Policy

**Expansionary Monetary Policy** 

