



$$AE = 4,000$$

Output

= 4,000

**Potential
GDP**

AE₀

1. Is the economy at equilibrium?

2. TotalSpending($\succ \equiv \preccurlyeq$)Output

3. Inventories (rise, fall, remain the same)

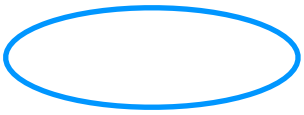
4. Firms will (increase, decrease, not change) output.

5. Once the Economy reaches equilibrium, will the economy experience a (recessionary, inflationary) gap? Size of the Gap = _____

6. At equilibrium the economy experiences (unemployment/labor shortage)







5000 - 4000 = 1000



4000

5000

Yes



Recessionary gap

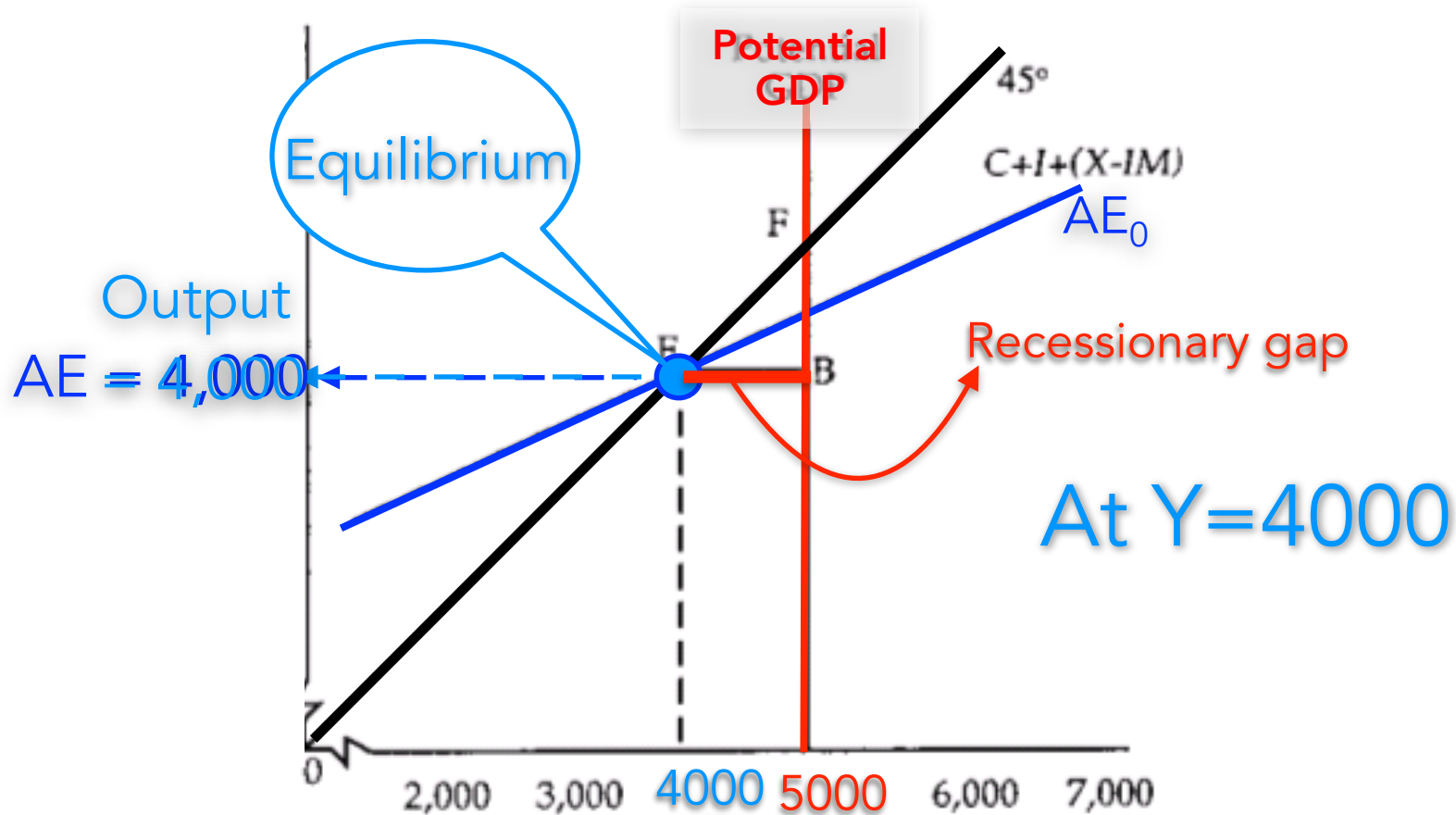




Equilibrium

At Y = 40000





1. Is the economy at equilibrium? Yes
2. Total Spending ($> = <$) Output
3. Inventories (rise, fall, remain the same)
4. Firms will (increase, decrease, not change) output.
5. Once the Economy reaches equilibrium, will the economy experience a (recessionary, inflationary) gap? Size of the Gap = $5000 - 4000 = 1000$
6. At equilibrium the economy experiences (unemployment/labor shortages)

