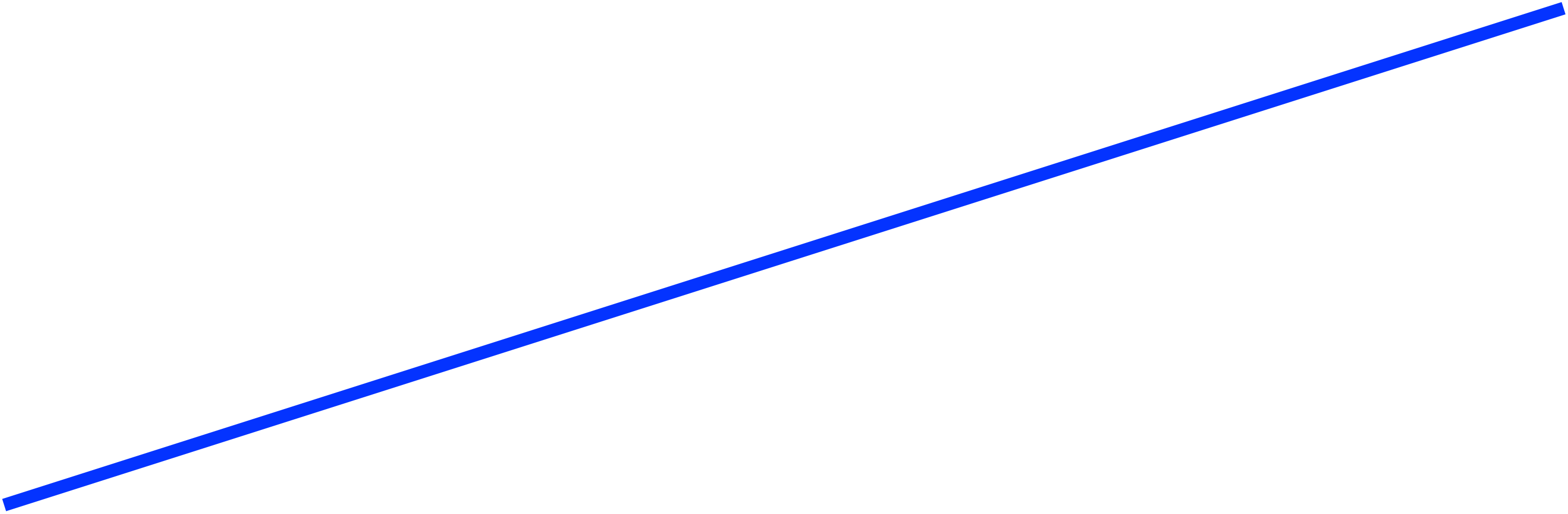


A

E



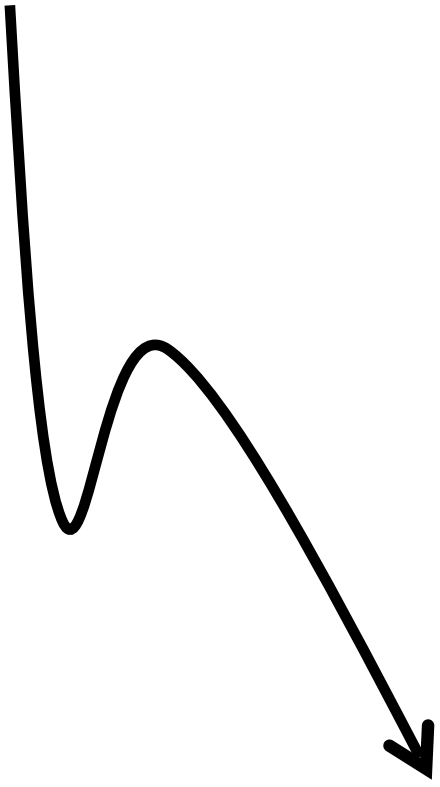


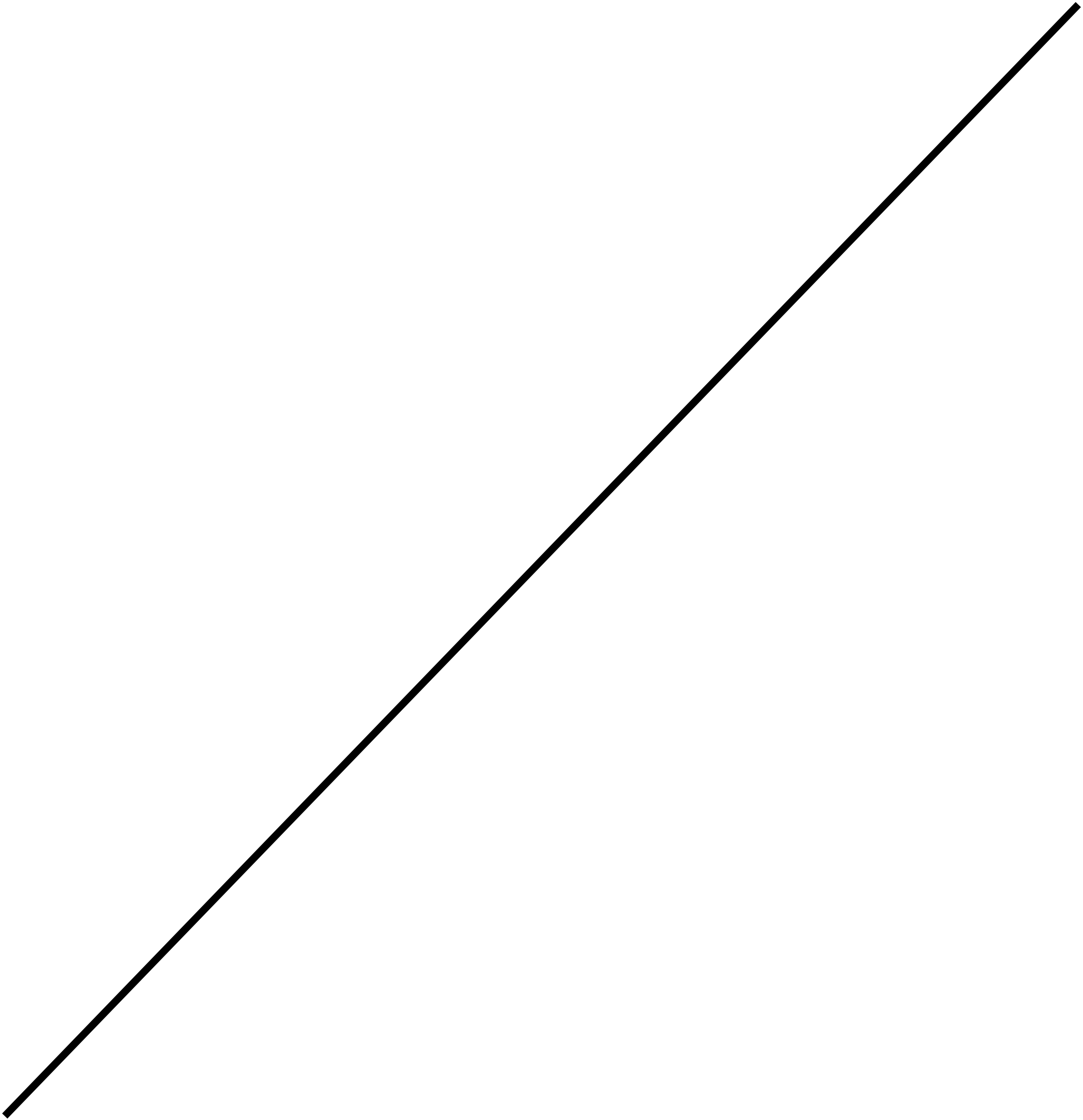


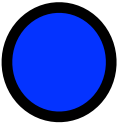


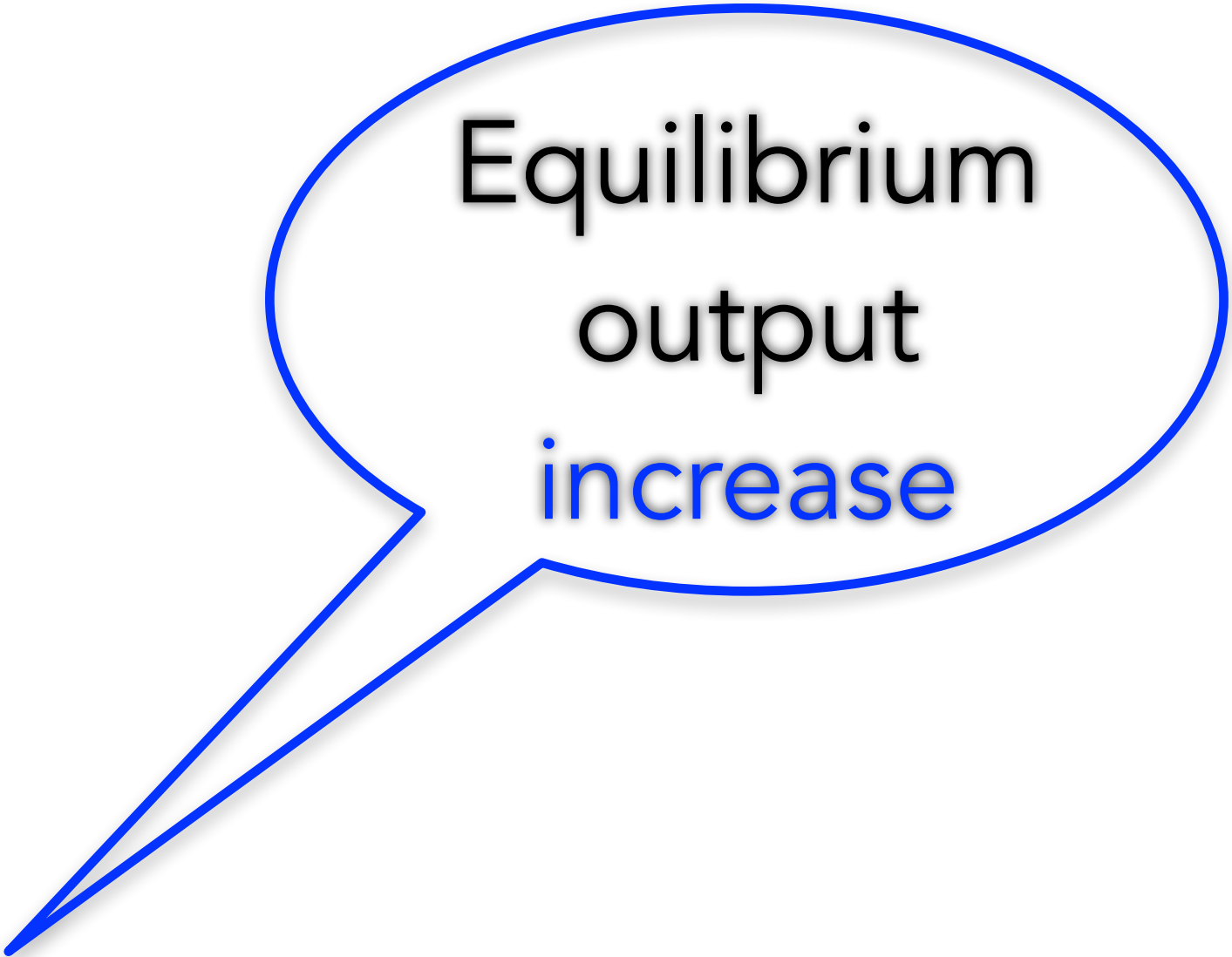
Higher Y^*

Equilibrium





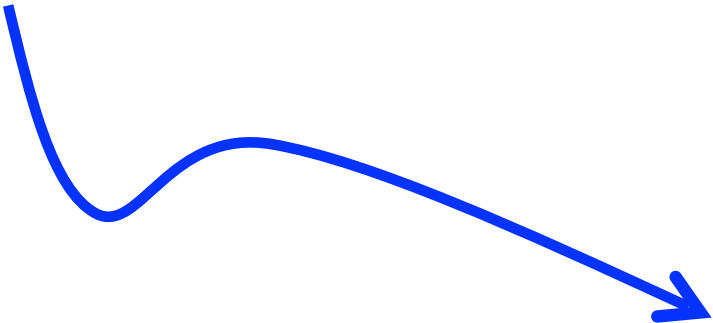




Equilibrium
output
increase







AE O

GDP/Income



Unemployment
decrease





Total

Production

Total
Purchases



Inventories
fall

A

E

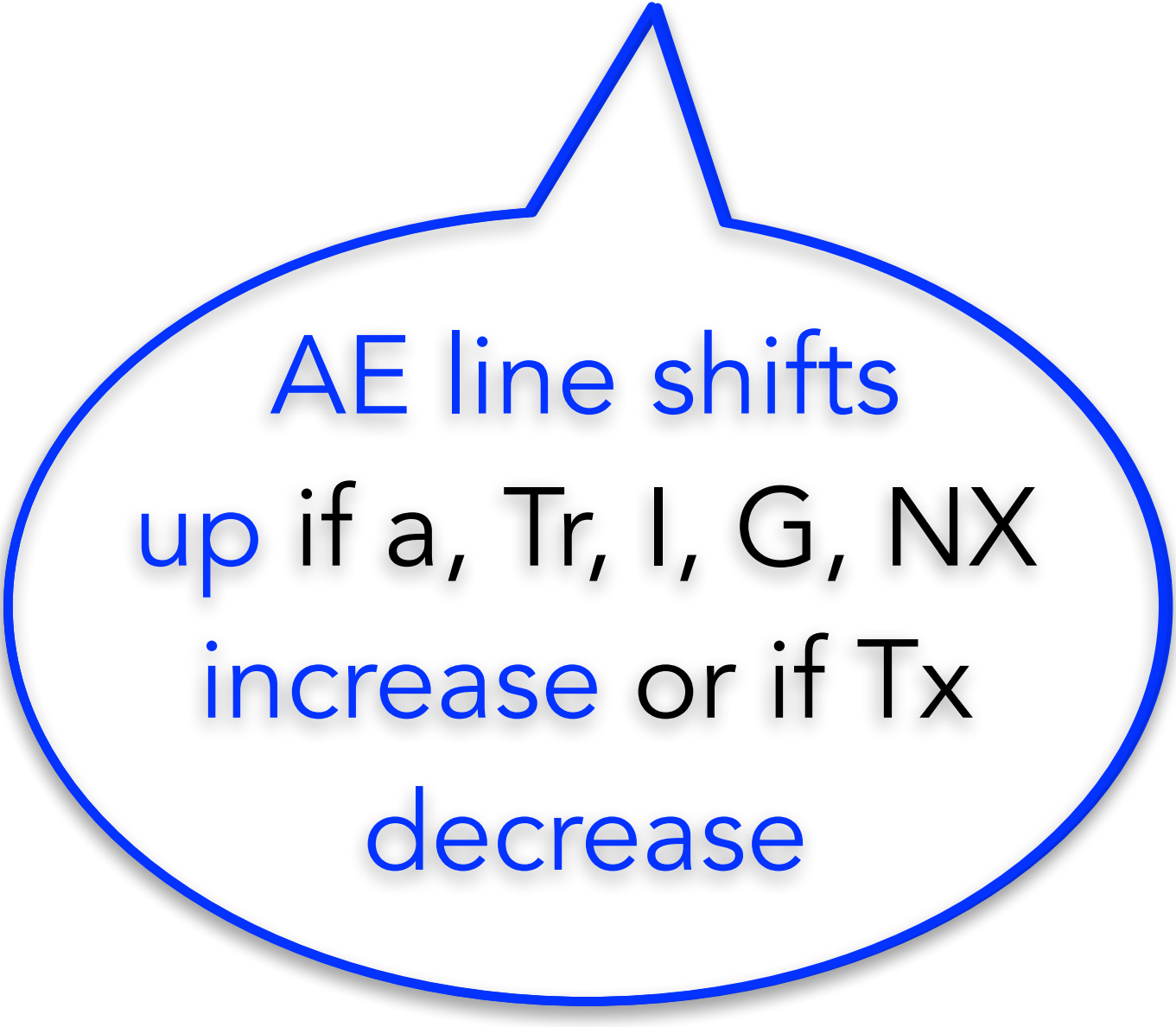
1

Y

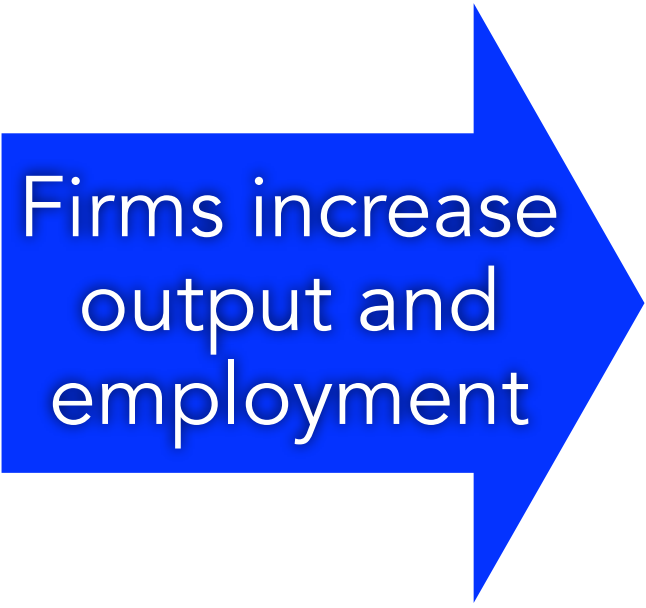
O

*

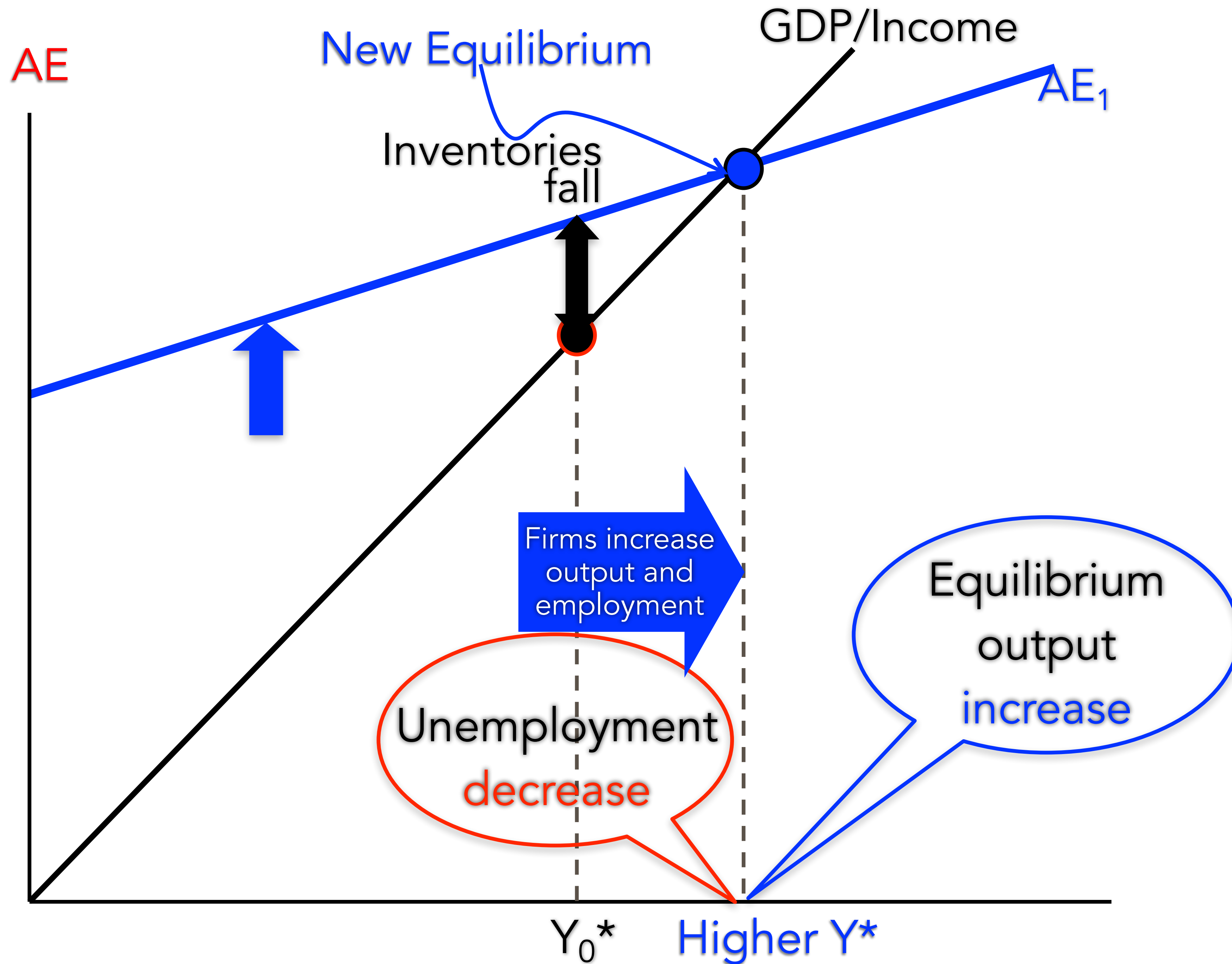
New Equilibrium



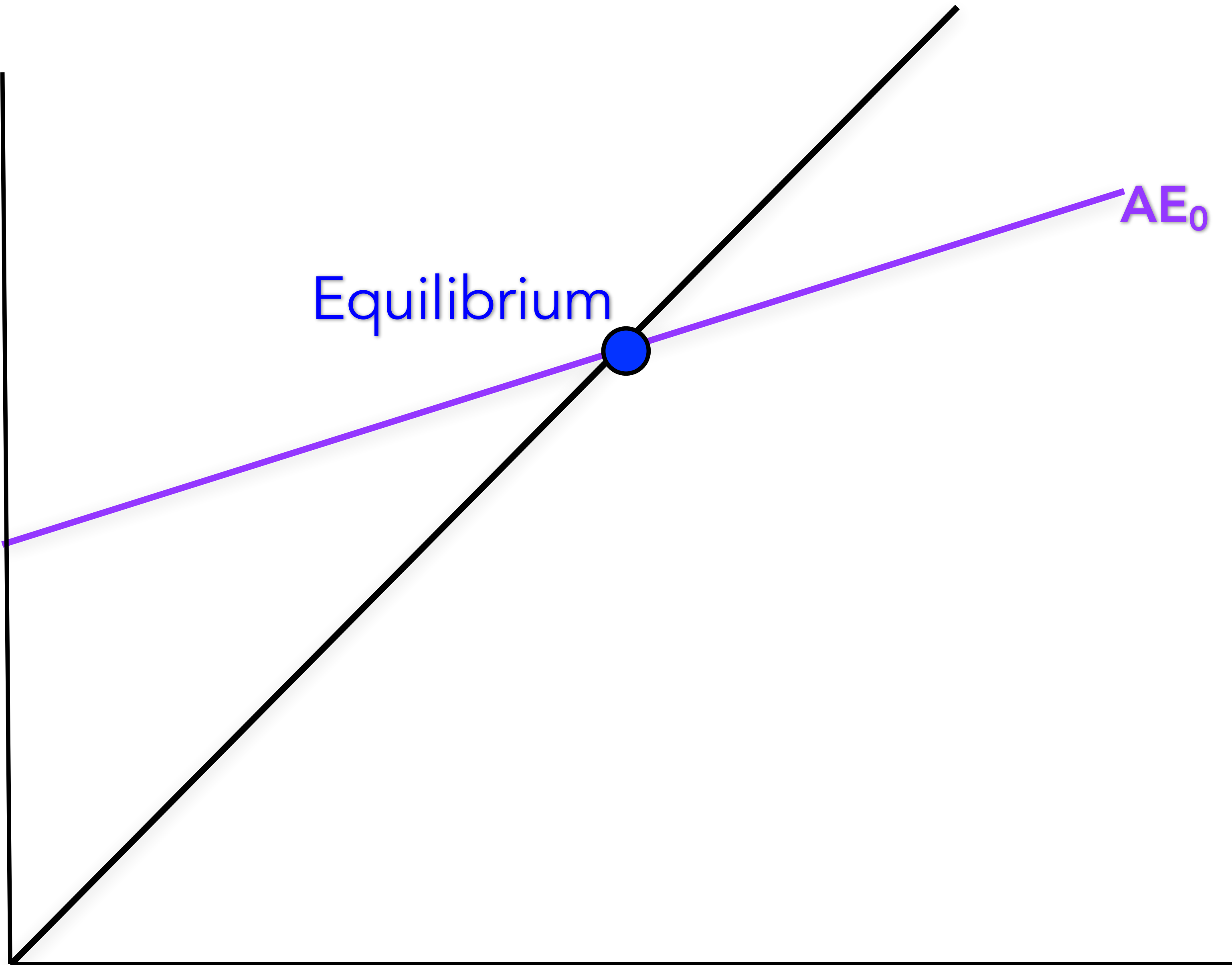
AE line shifts
up if a , Tr , I , G , NX
increase or if T_x
decrease



Firms increase
output and
employment



AE



AE_0

Equilibrium