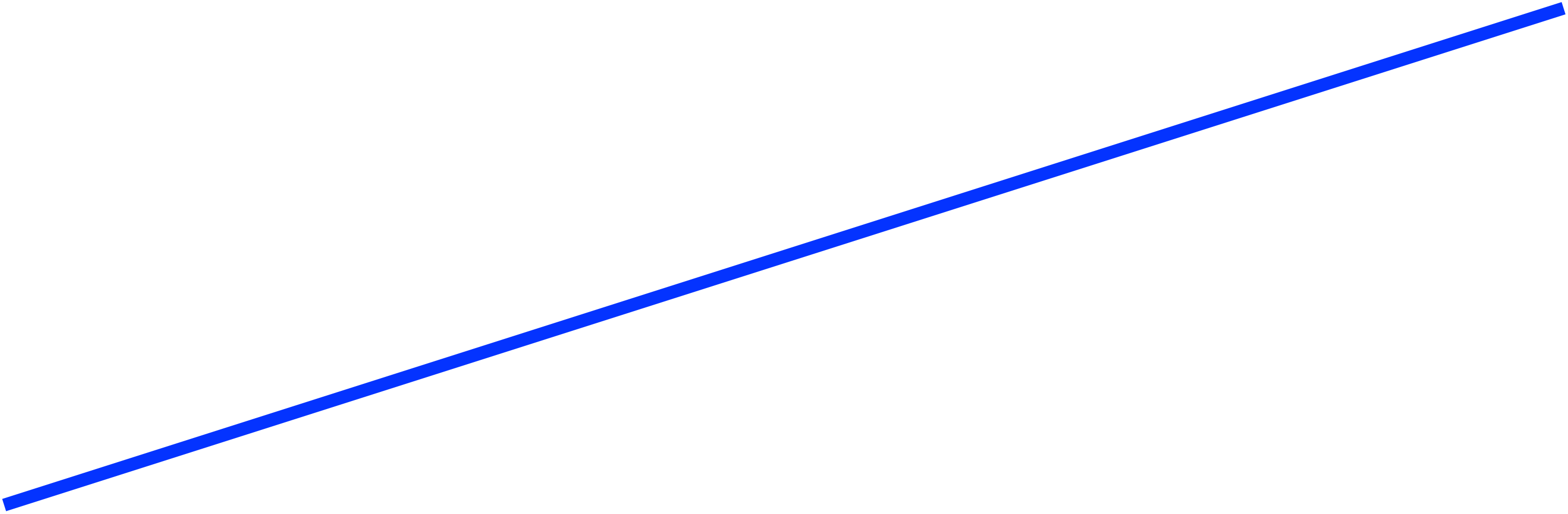


A

E



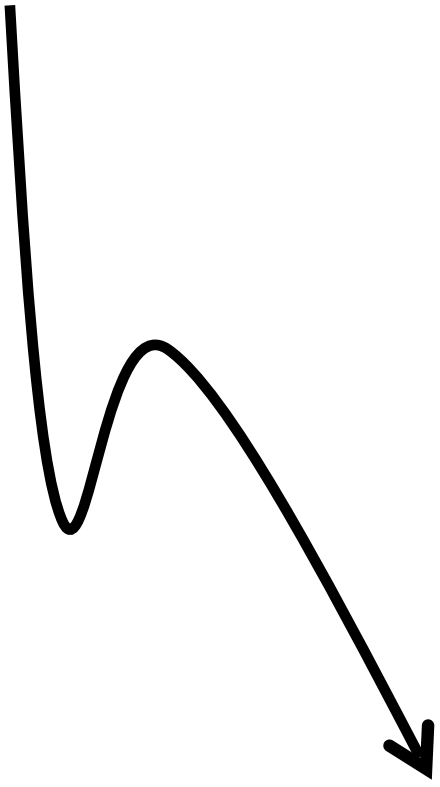


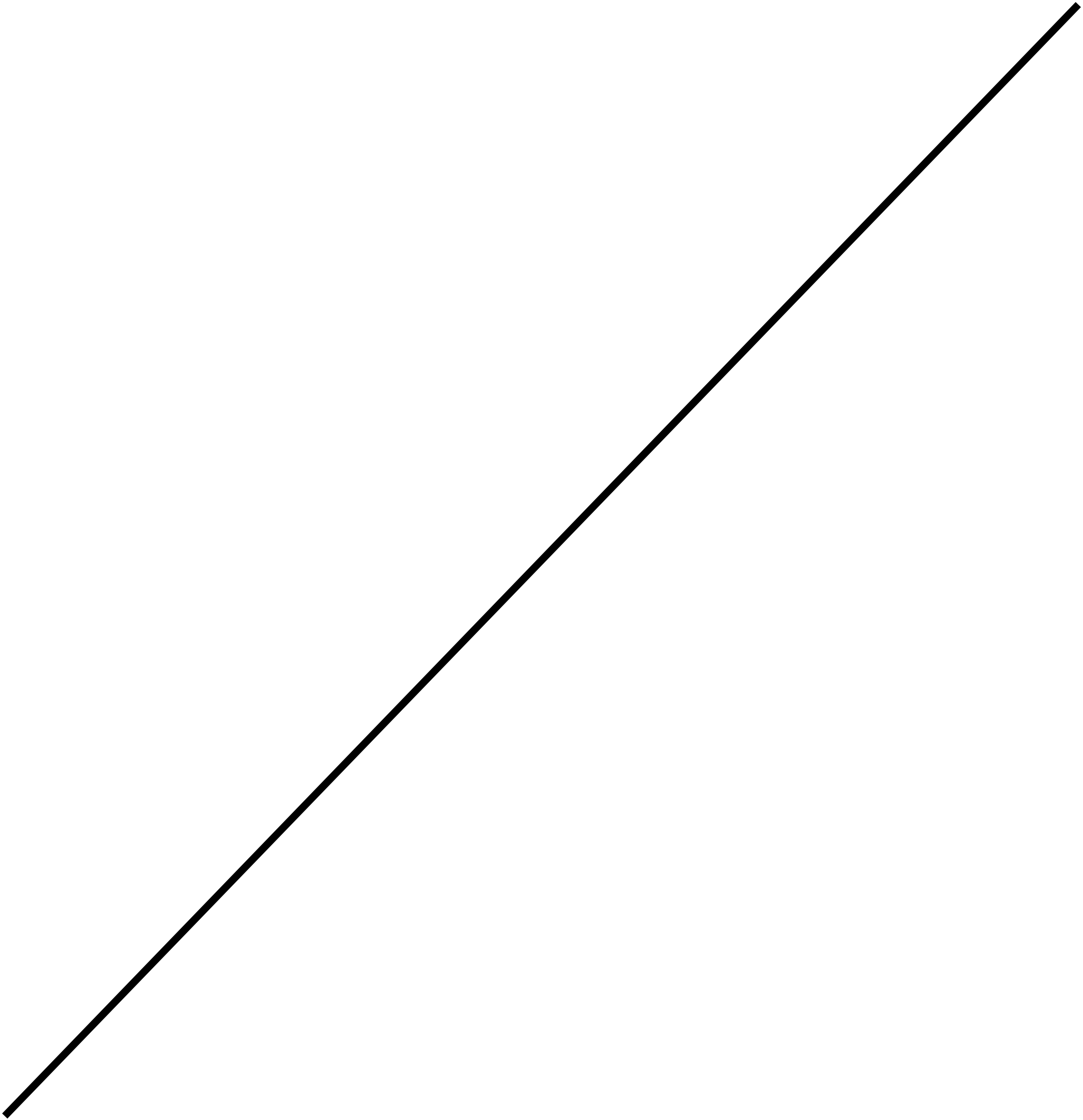


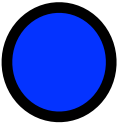


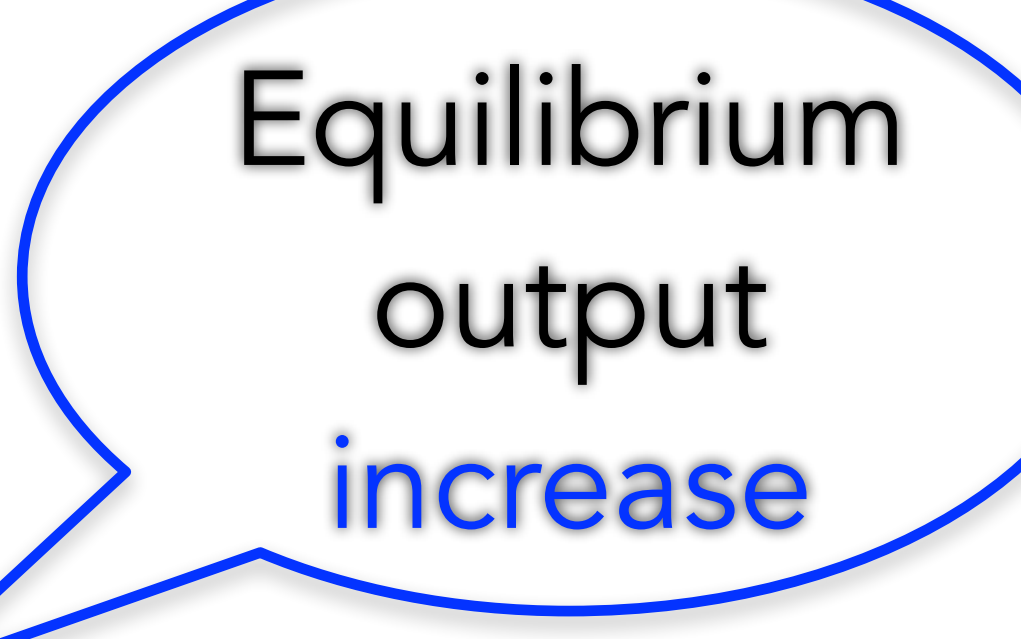
Higher Y^*

Equilibrium





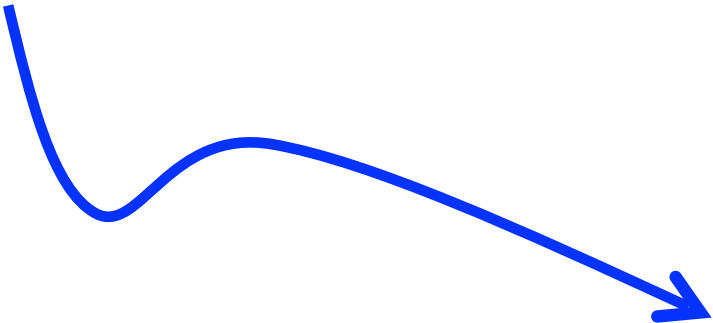




Equilibrium
output
increase







AE O

GDP/Income





Total

Production

Total
Purchases



Inventories
fall

A

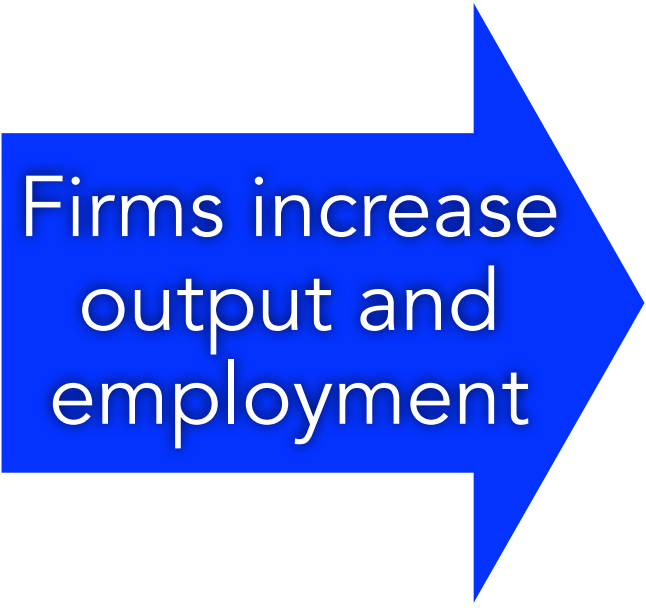
E

1

Y

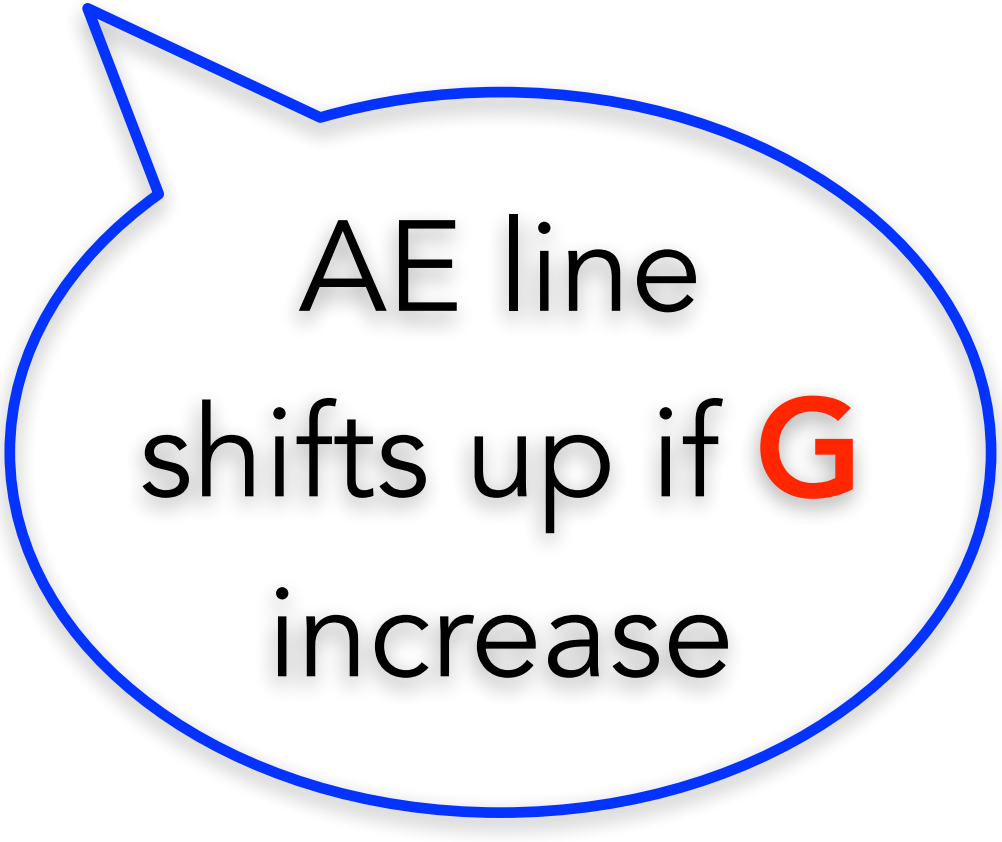
O

*



Firms increase
output and
employment

New Equilibrium



AE line
shifts up if **G**
increase

