

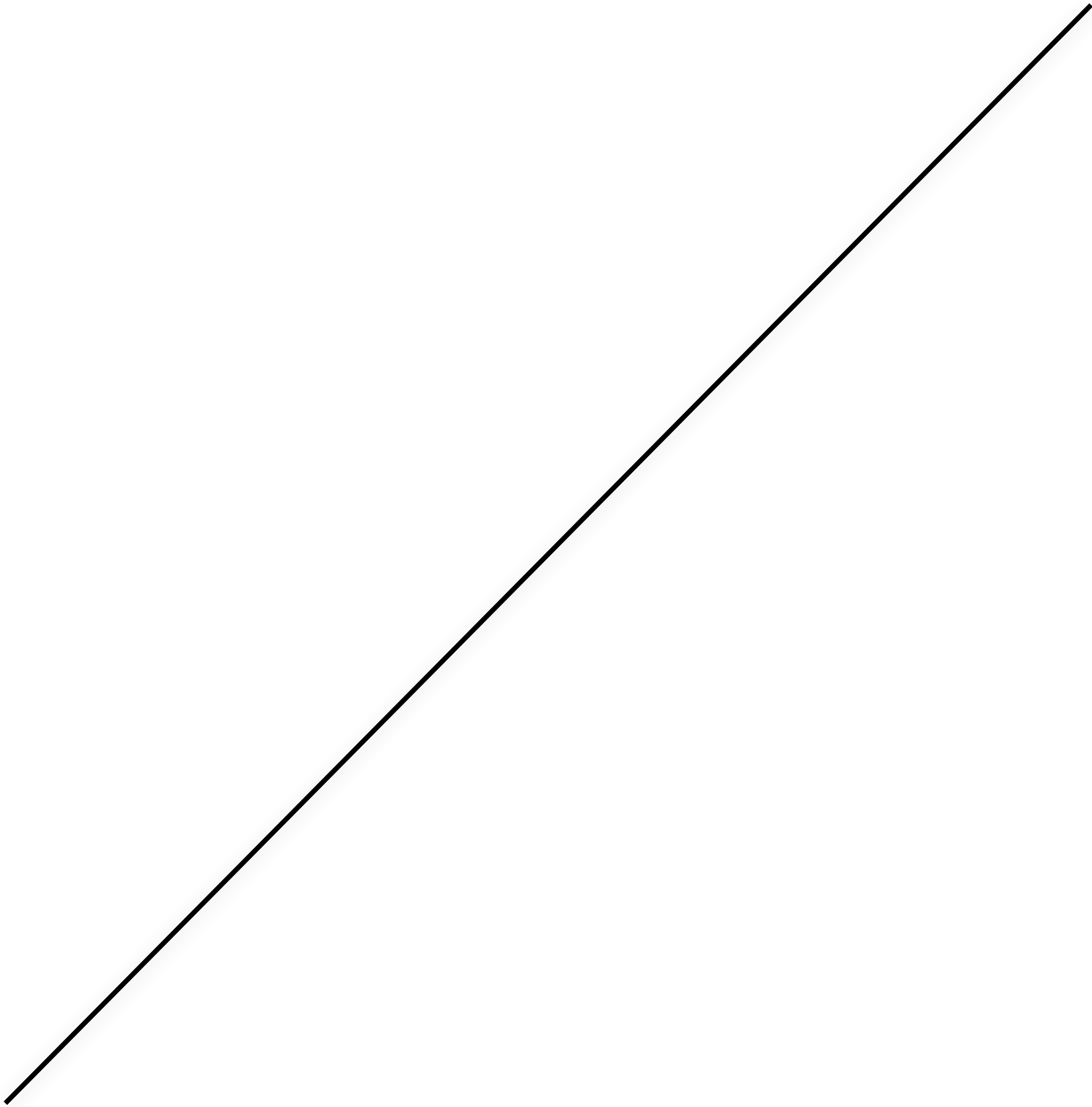
A

E



Equilibrium GDP





Equilibrium.

AE₀

Potential GDP



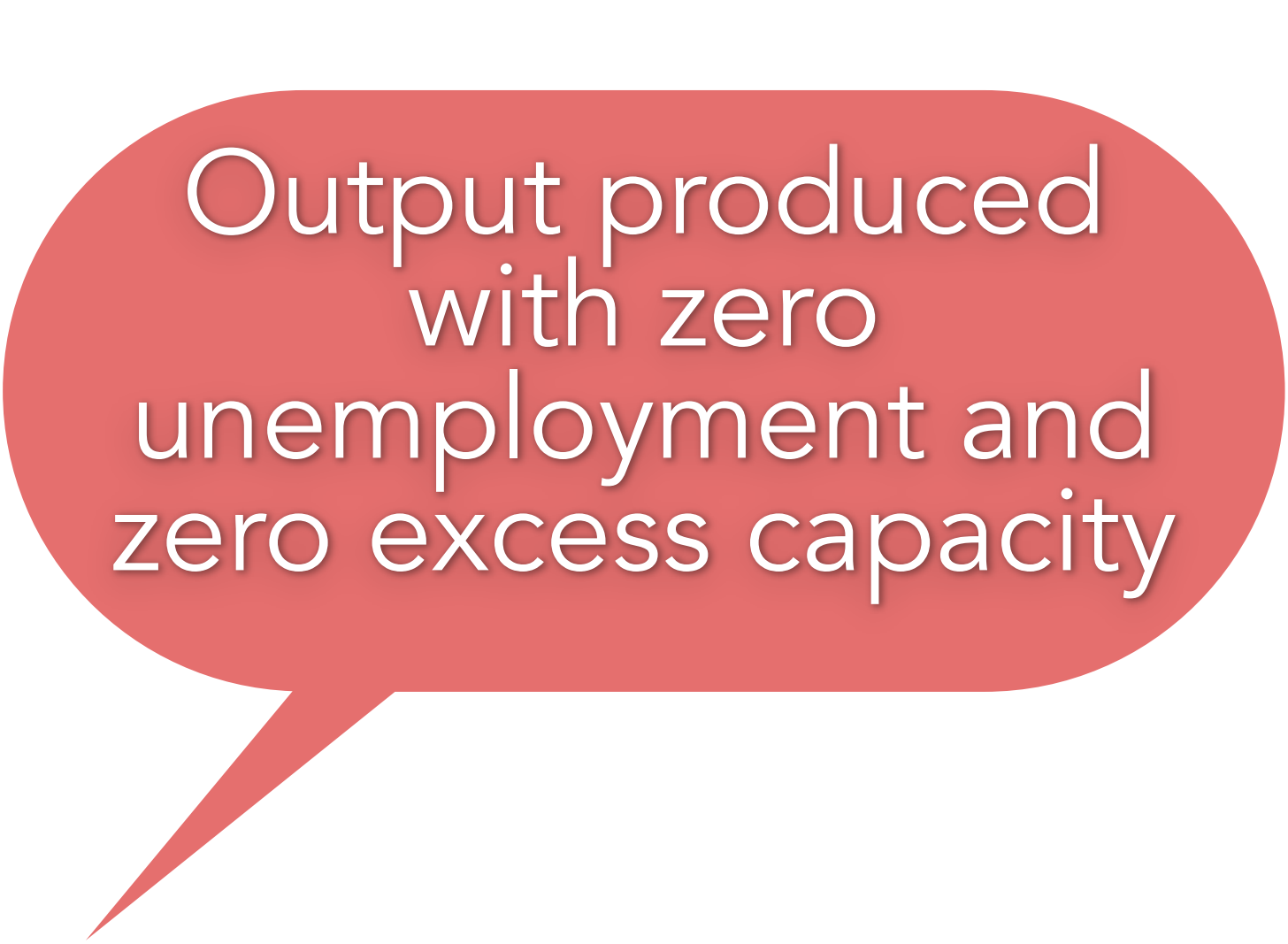


45°



Potential GDP

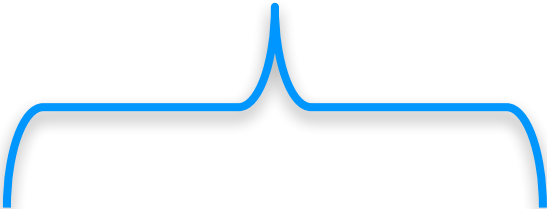



A large, red speech bubble with a white outline and a tail pointing towards the bottom left. Inside the bubble, the text "Output produced with zero unemployment and zero excess capacity" is written in white, sans-serif font, centered and arranged in four lines.

Output produced
with zero
unemployment and
zero excess capacity

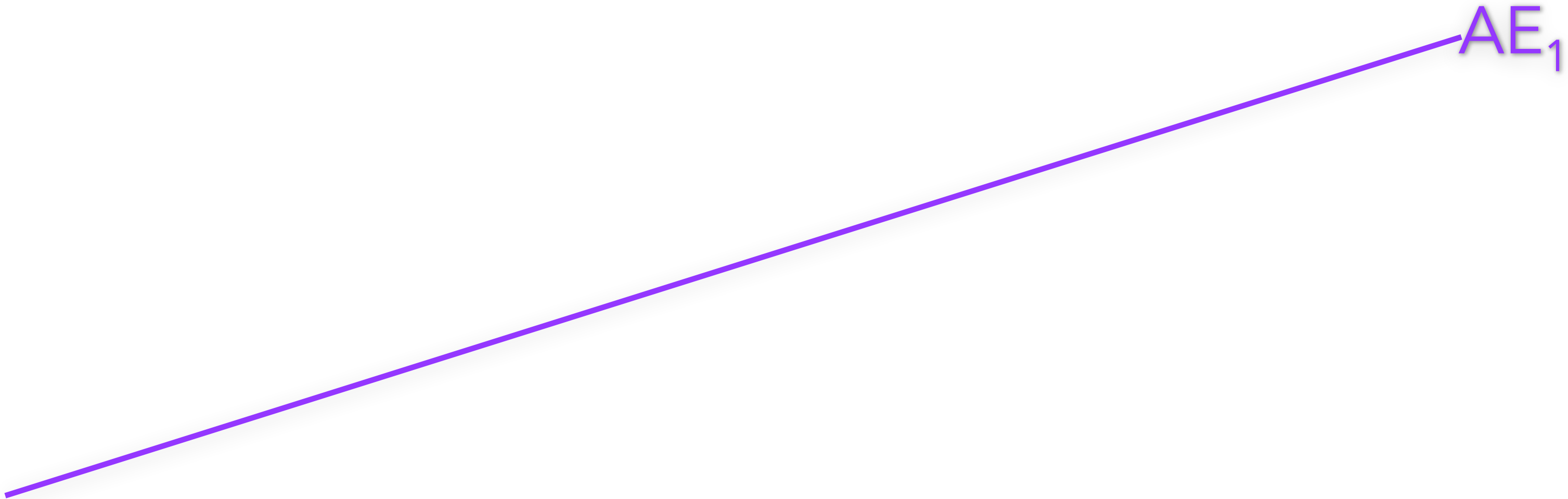
A blue speech bubble with a white outline and a white drop shadow, pointing towards the bottom right. Inside the bubble, the words "Recessionary" and "Gap" are written in a white, sans-serif font, stacked vertically and centered.

Recessionary
Gap





To close a
Recessionary
Gap: AE
must rise





New Equilibrium
= Potential GDP



