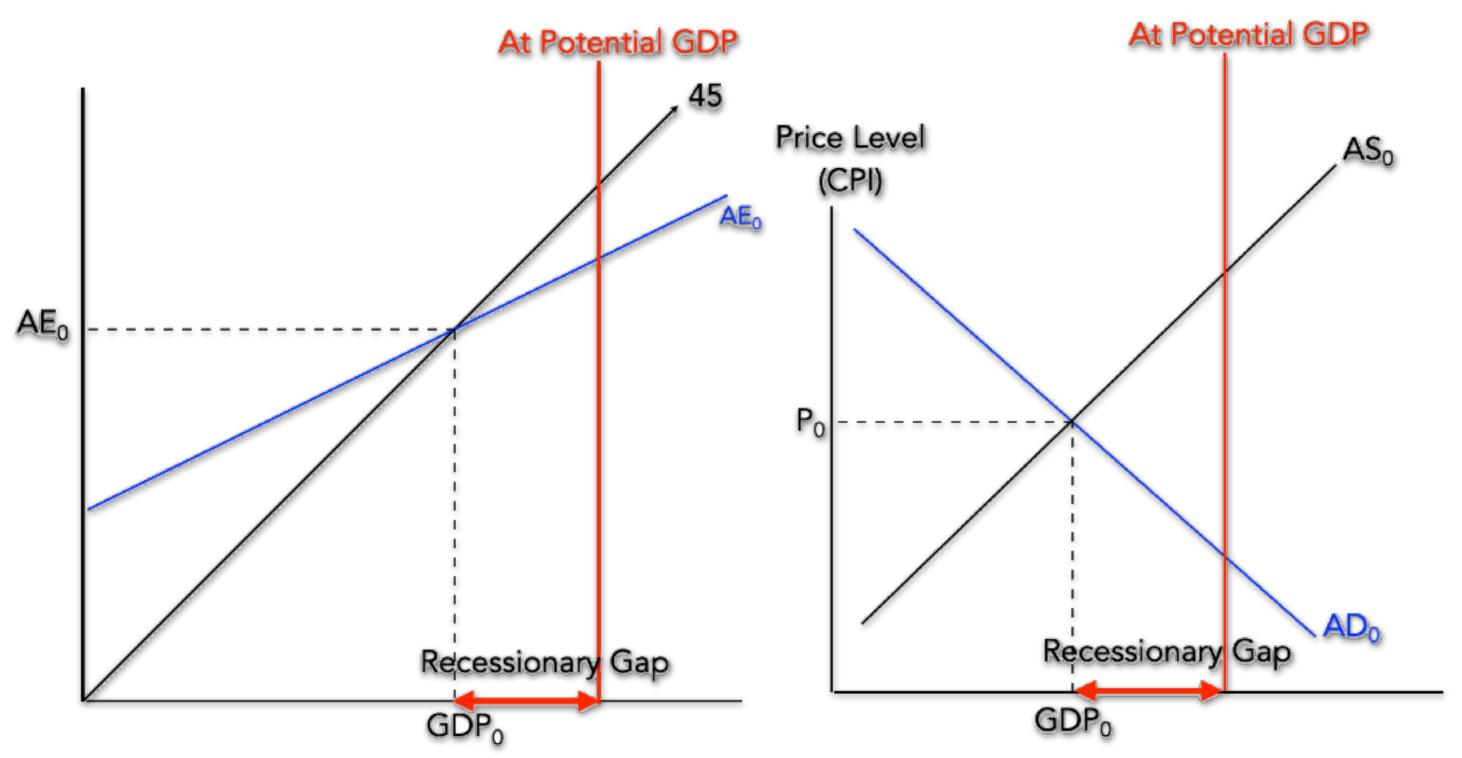
To close a Recessionary Gap, Aggregate Expenditures and Aggregate Demand must increase

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

2. Increase Government Spending

Expansionary Policy

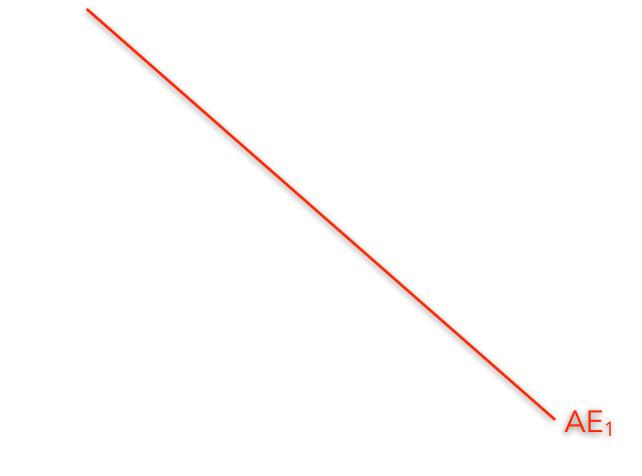


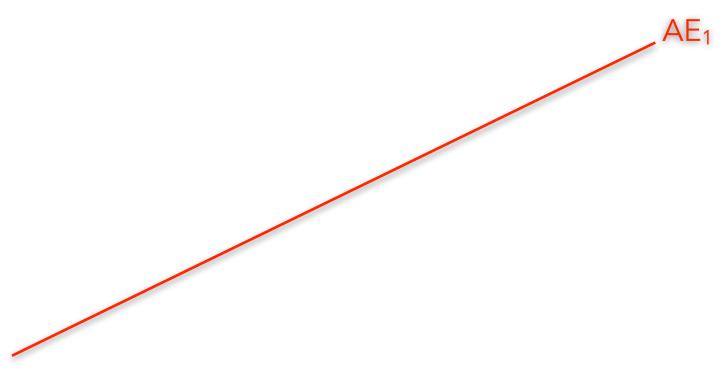
3. Buy bonds to increase the Money Supply and cause a drop in all interest rates to promote an increase in Investment

3. Decrease interest rates to increase investment









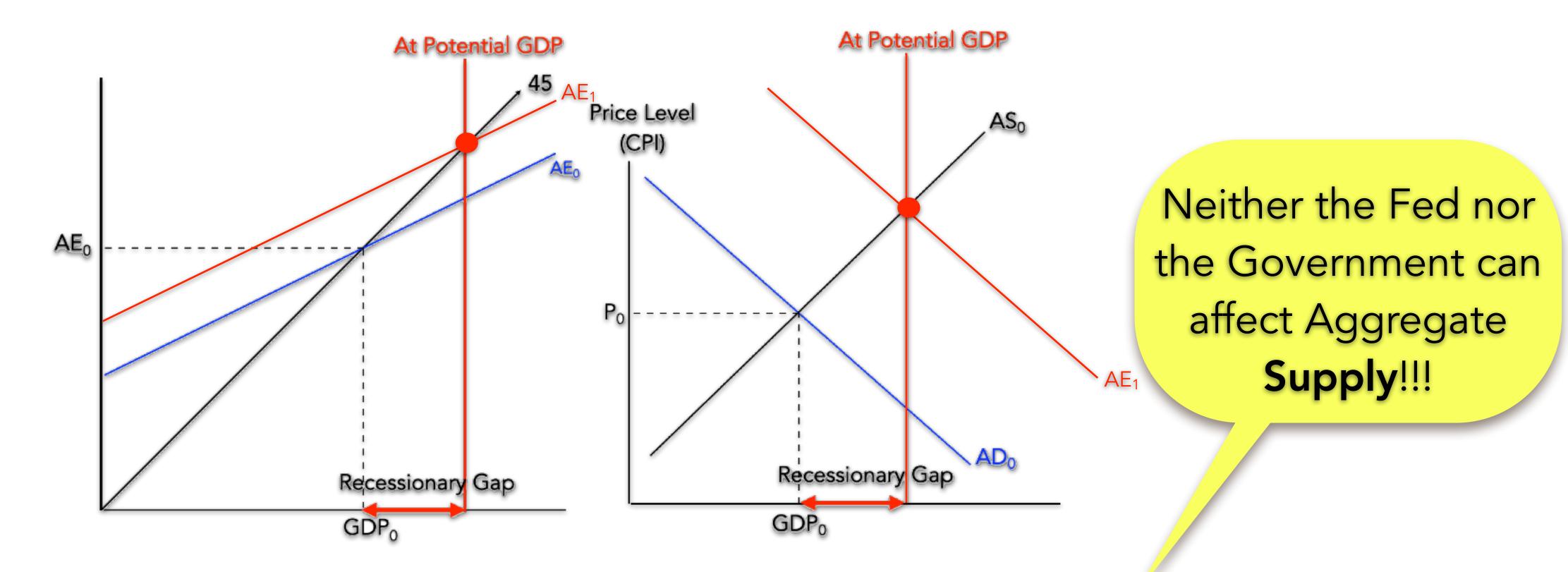




Neither the Fed nor the Government can affect Aggregate

Supply!!!

Expansionary Policy



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Expansionary Fiscal Policy

Expansionary Monetary Policy