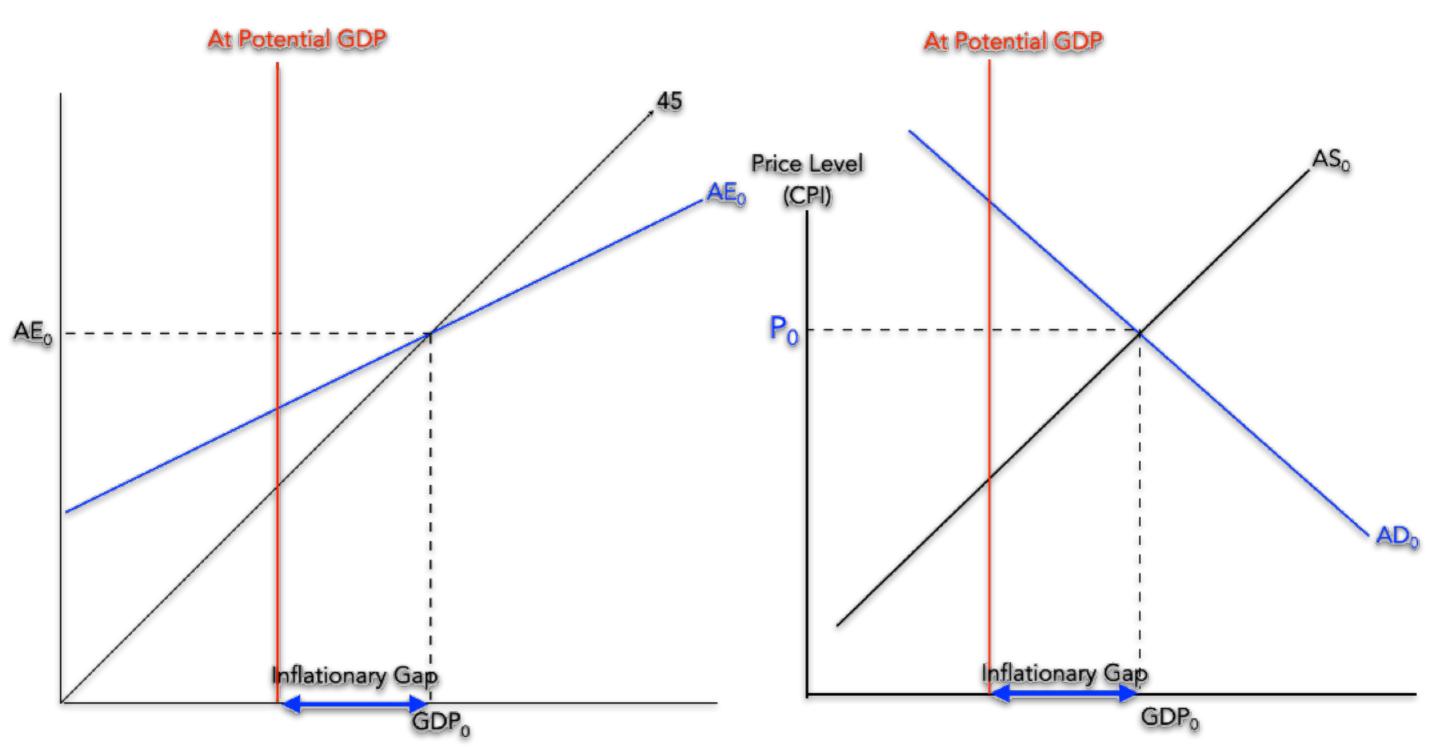
To close an Inflationary Gap, Aggregate Expenditures and Aggregate Demand must decrease

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

2. Decrease Government Spending

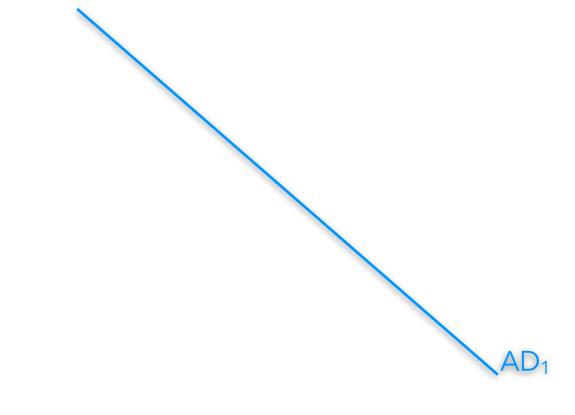
Contractionary Policy

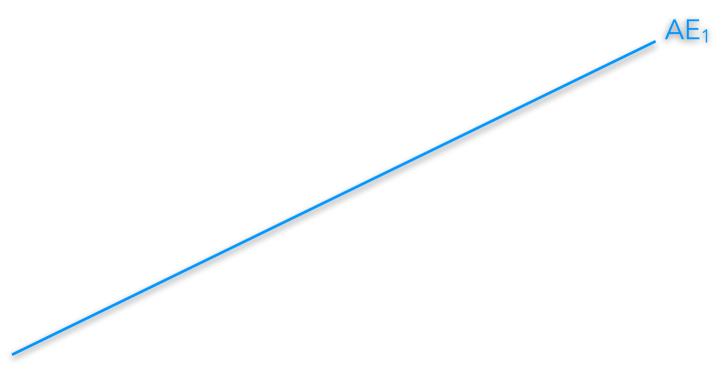


3. Sell bonds to decrease the Money Supply and cause an increase in all interest rates to reduce Investment spending







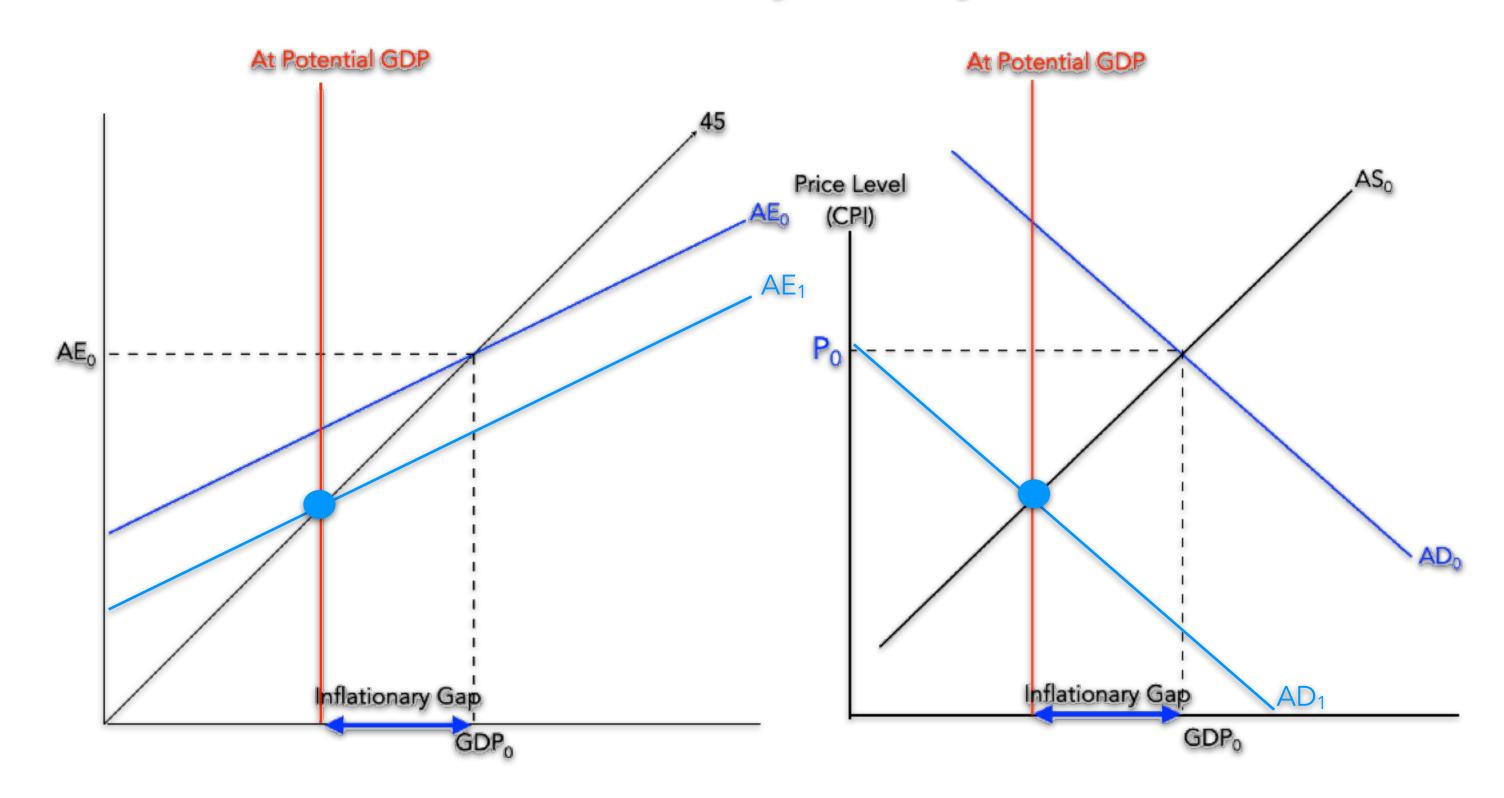






3. Increase interest rates to decrease investment

Contractionary Policy



To close an Inflationary Gap, Aggregate Expenditures and Aggregate Demand must decrease

- 1. Increase Taxes and/or Decrease Transfers to decrease Consumption
- 2. Decrease Government Spending
- 3. Sell bonds to decrease the Money Supply and cause an increase in all interest rates to reduce Investment spending

Contractionary Fiscal Policy

Contractionary Monetary Policy



- Effective Federal Funds Rate
- 30-Year Fixed Rate Mortgage Average in the United States
- Bank Prime Loan Rate

