

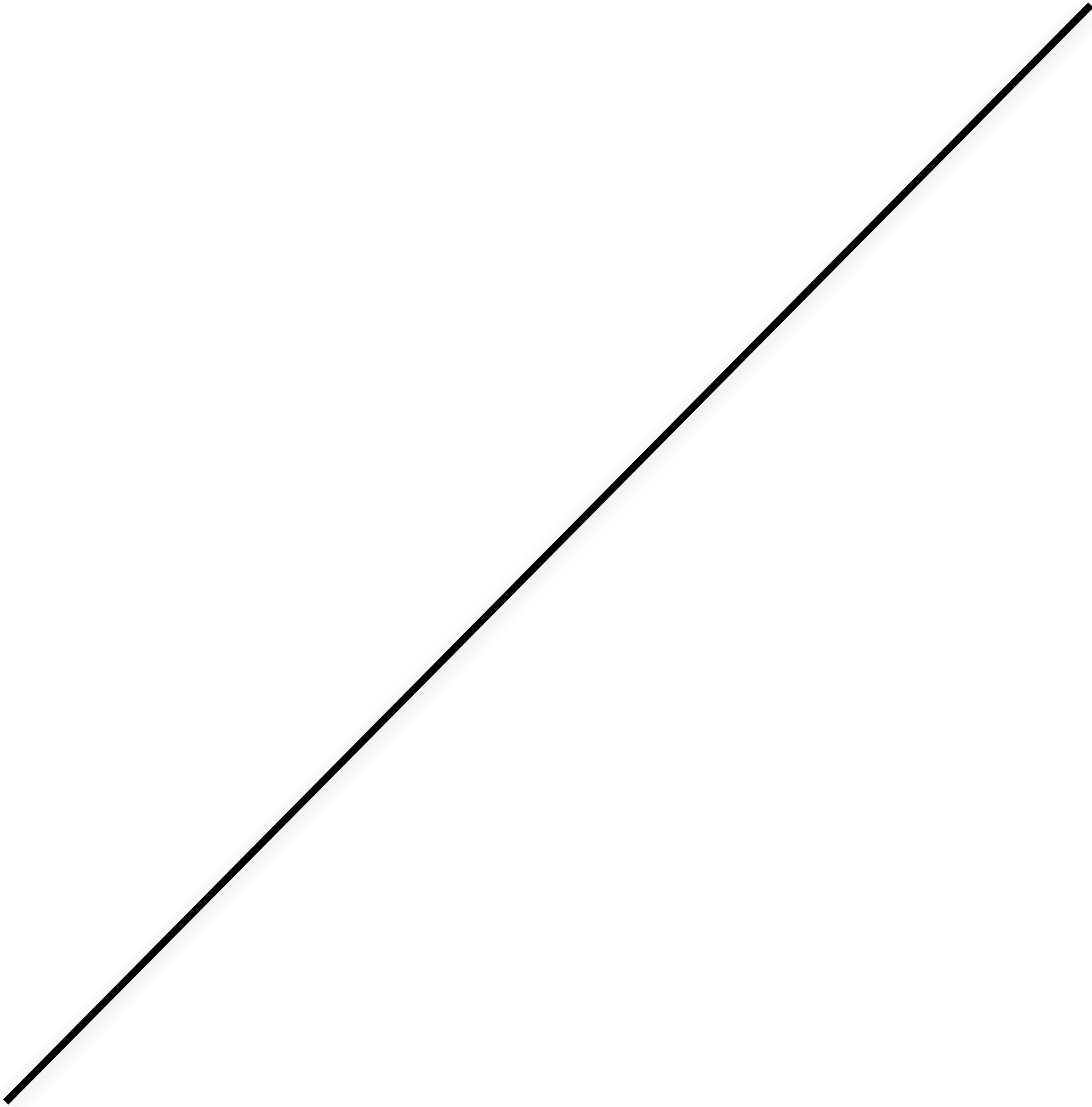
AE



Equilibrium GDP:

9,000





Equilibrium



AE

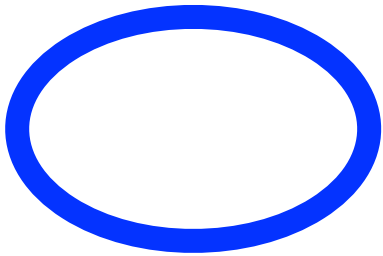
Potential GDP

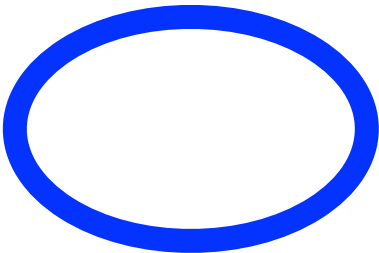


Potential

GDP : 7,000

$$7,000 - 9,000 = -2,000$$





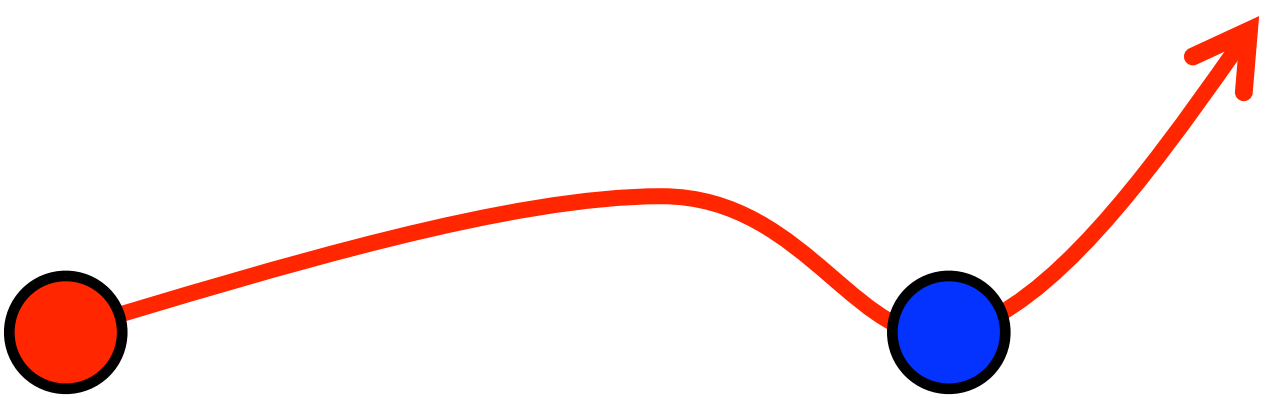


Economy is trying
to produce **beyond**
capacity



Inflationary
Gap

Zero Unemployment
No excess capacity





Rising costs = rising prices

45°



