

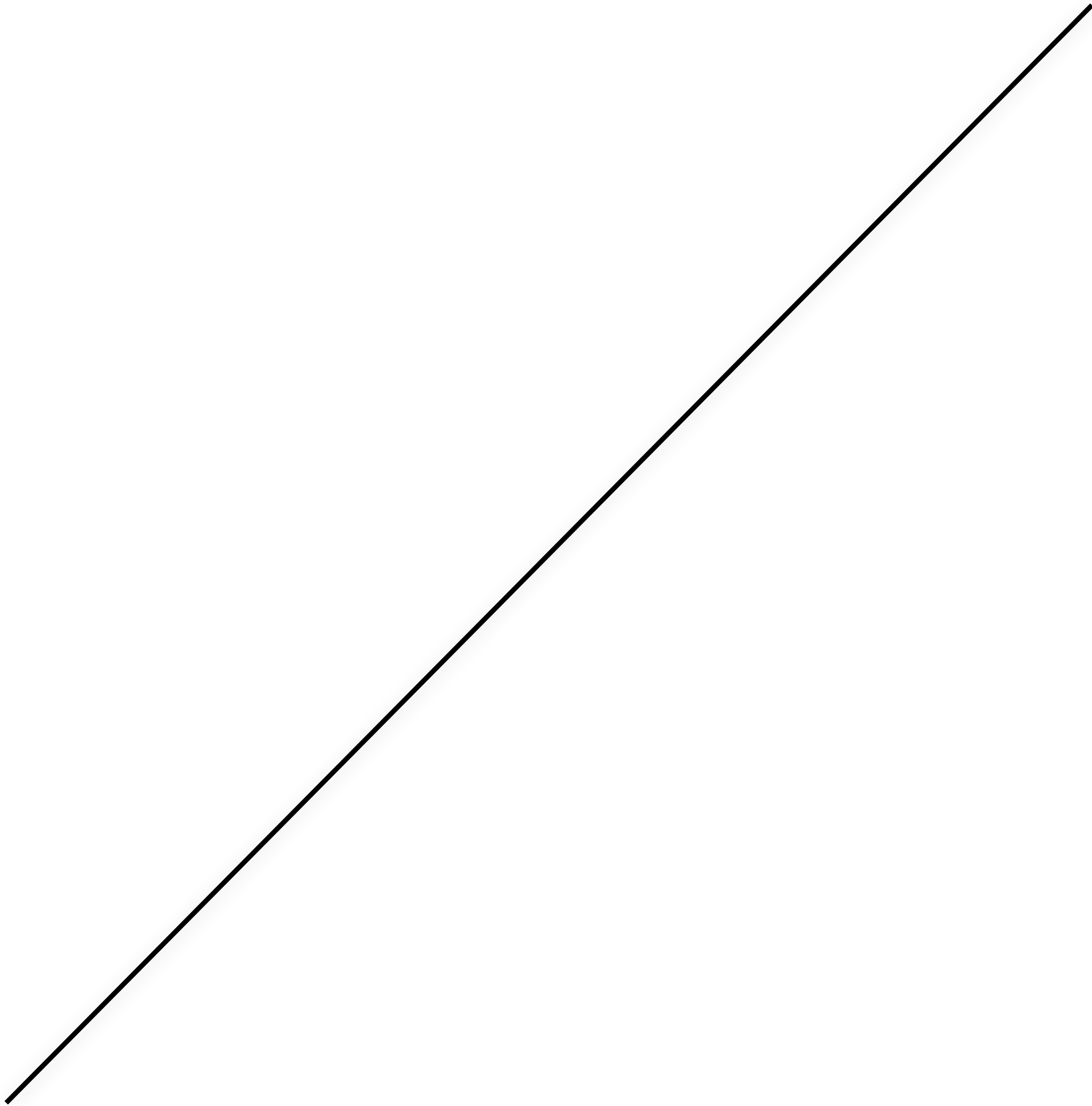
A

E



Equilibrium GDP





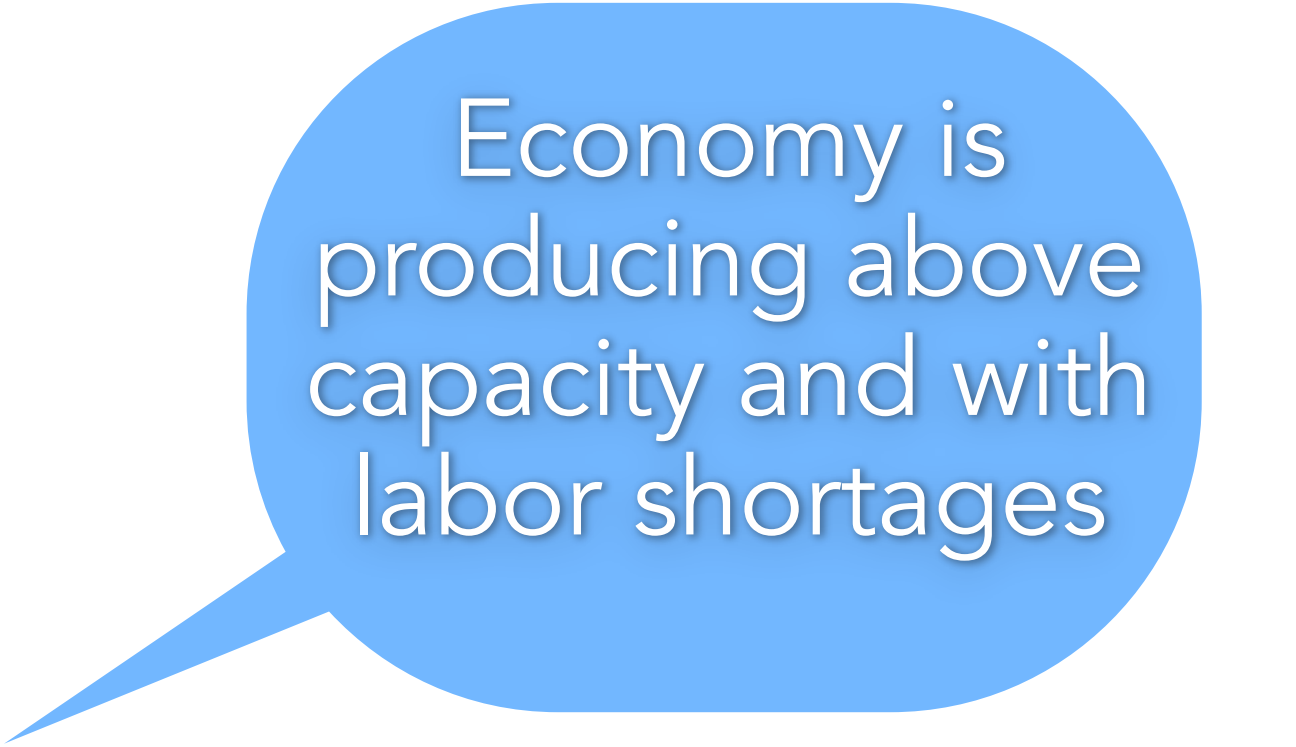


# Equilibrium



AE<sub>0</sub>

Potential GDP



Economy is  
producing above  
capacity and with  
labor shortages

45°

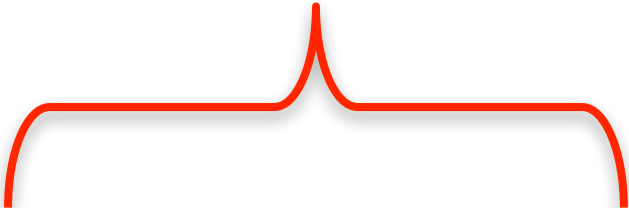


# Potential GDP



A red speech bubble with a white outline and a tail pointing towards the bottom left. The text is centered inside the bubble.

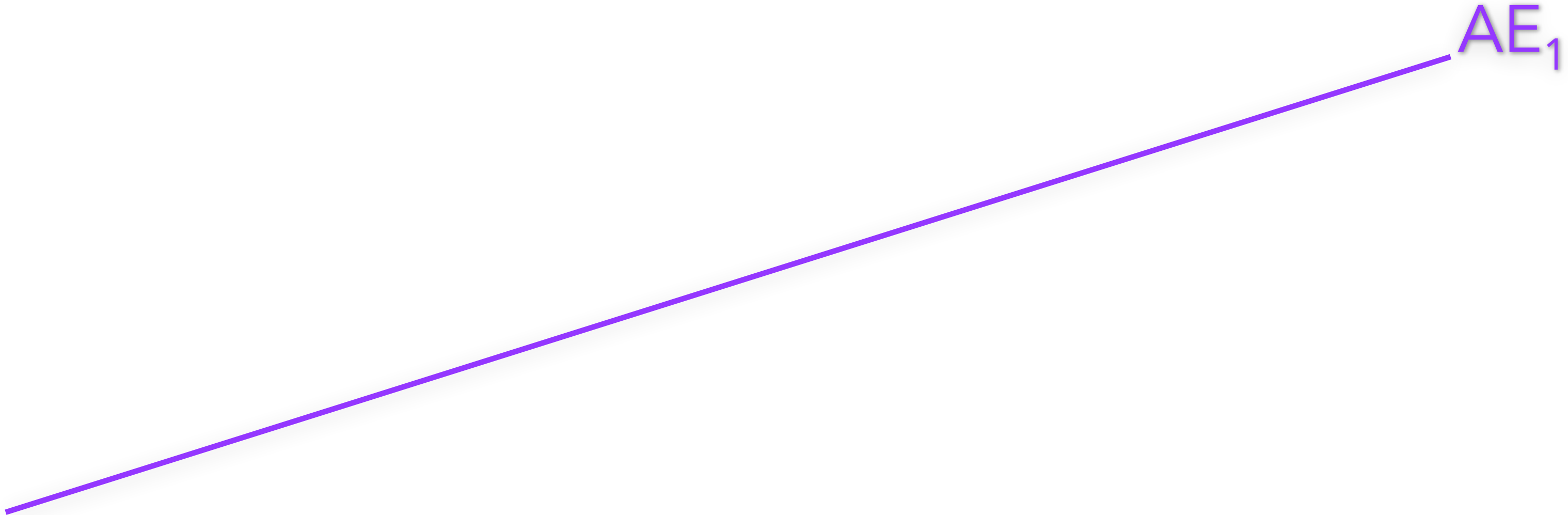
Rising Costs  
and prices:  
Inflationary  
Gap





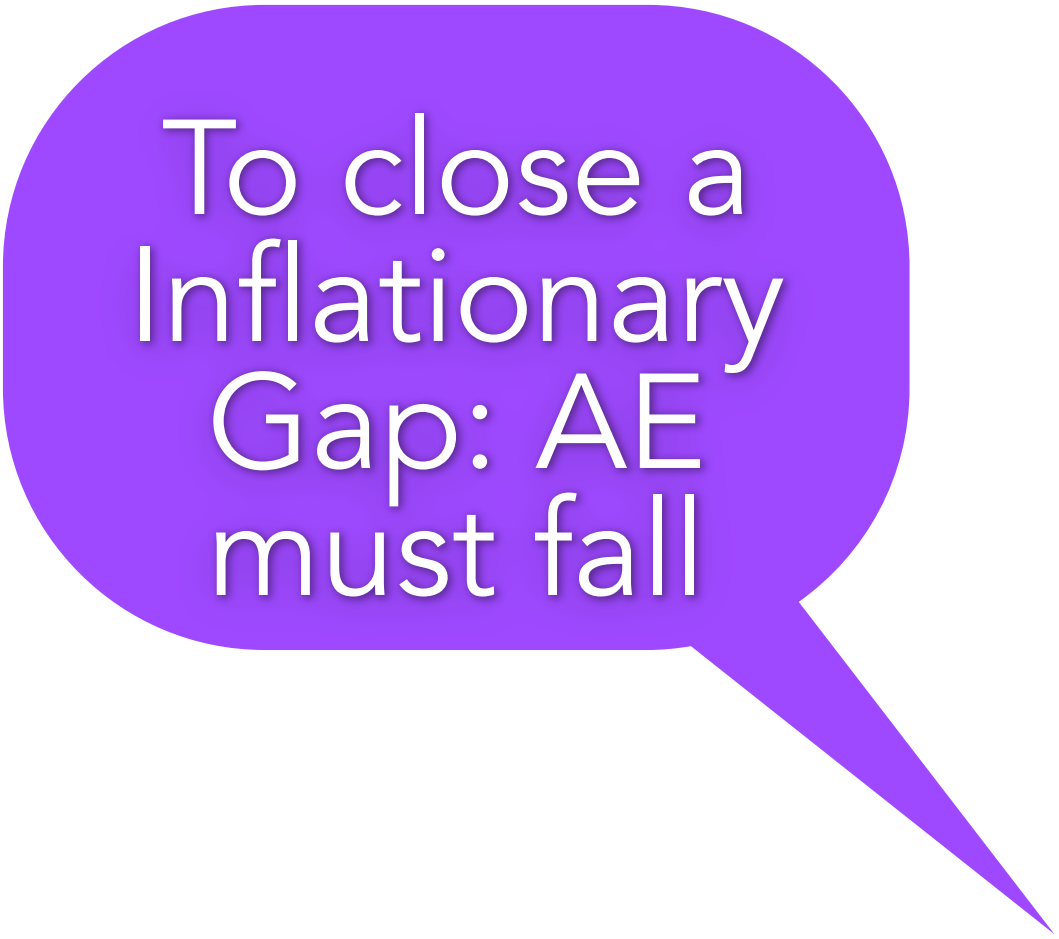








New Equilibrium  
= Potential GDP



To close a  
Inflationary  
Gap: AE  
must fall

