

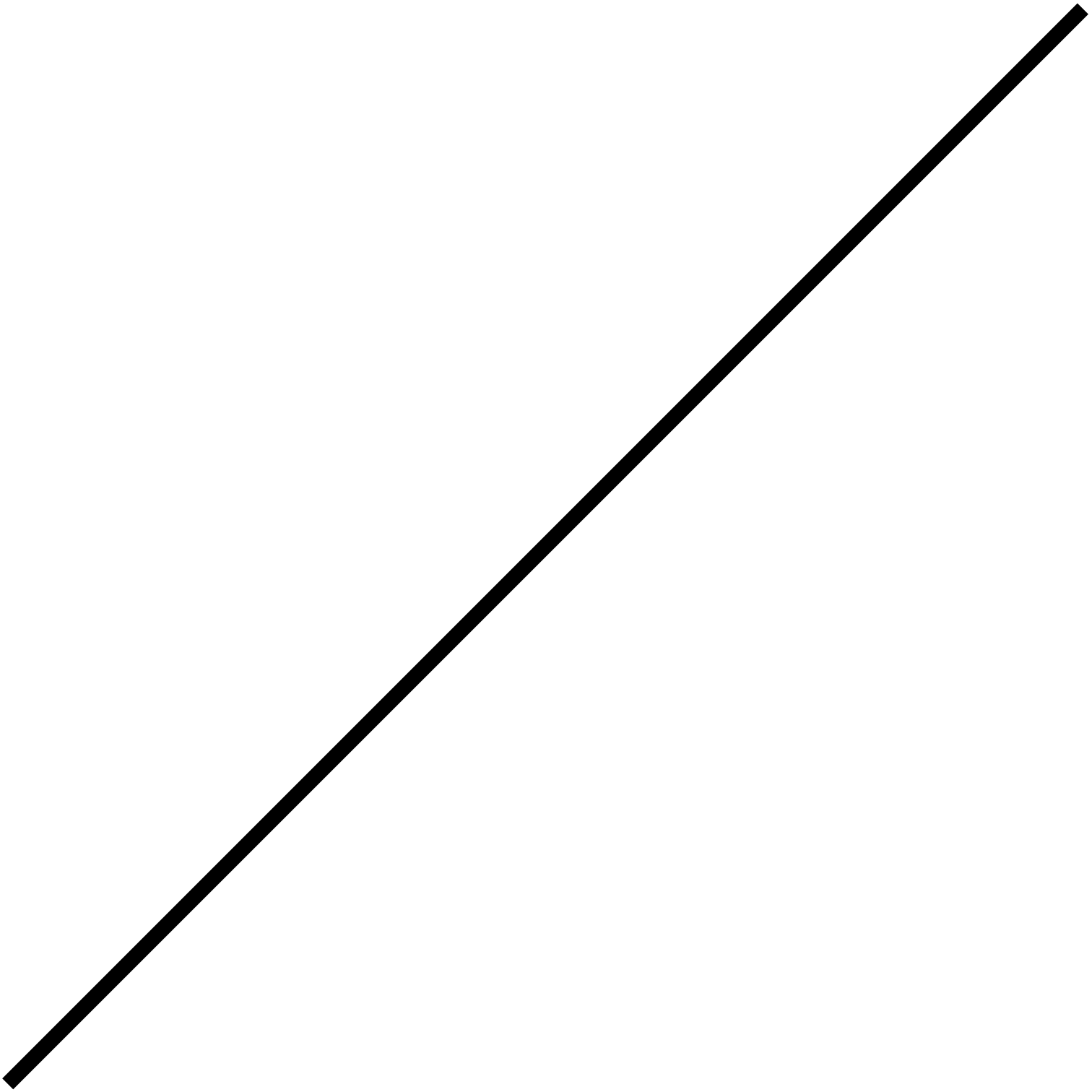




3000











AE > 3,000

Output = 3,000

**Potential  
GDP**

AE<sub>0</sub>

1. Is the economy at equilibrium?



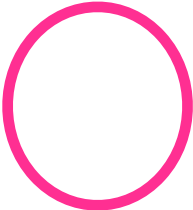
2. TotalSpending( $\geq$   $\leq$ ) Output

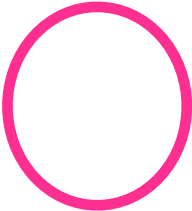
3. Inventories (rise, fall, remain the same)

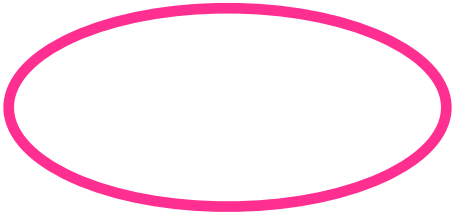
4. Firms will (increase, decrease, not change) output.

5. Once the Economy reaches equilibrium, will the economy experience a (recessionary, inflationary) gap? Size of the Gap = \_\_\_\_\_

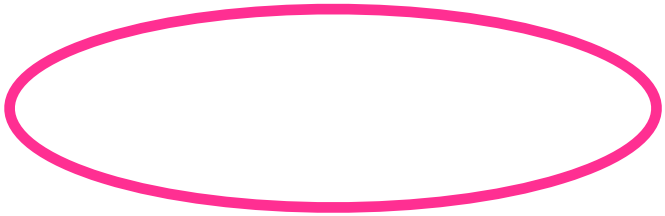
6. At equilibrium the economy experiences (unemployment/labor shortage)



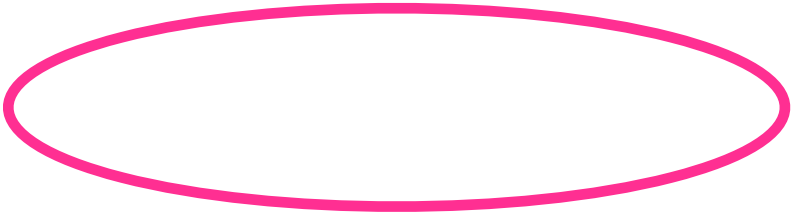








$$5000 - 4000 = 1000$$



4000

5000

No



Recessionary gap

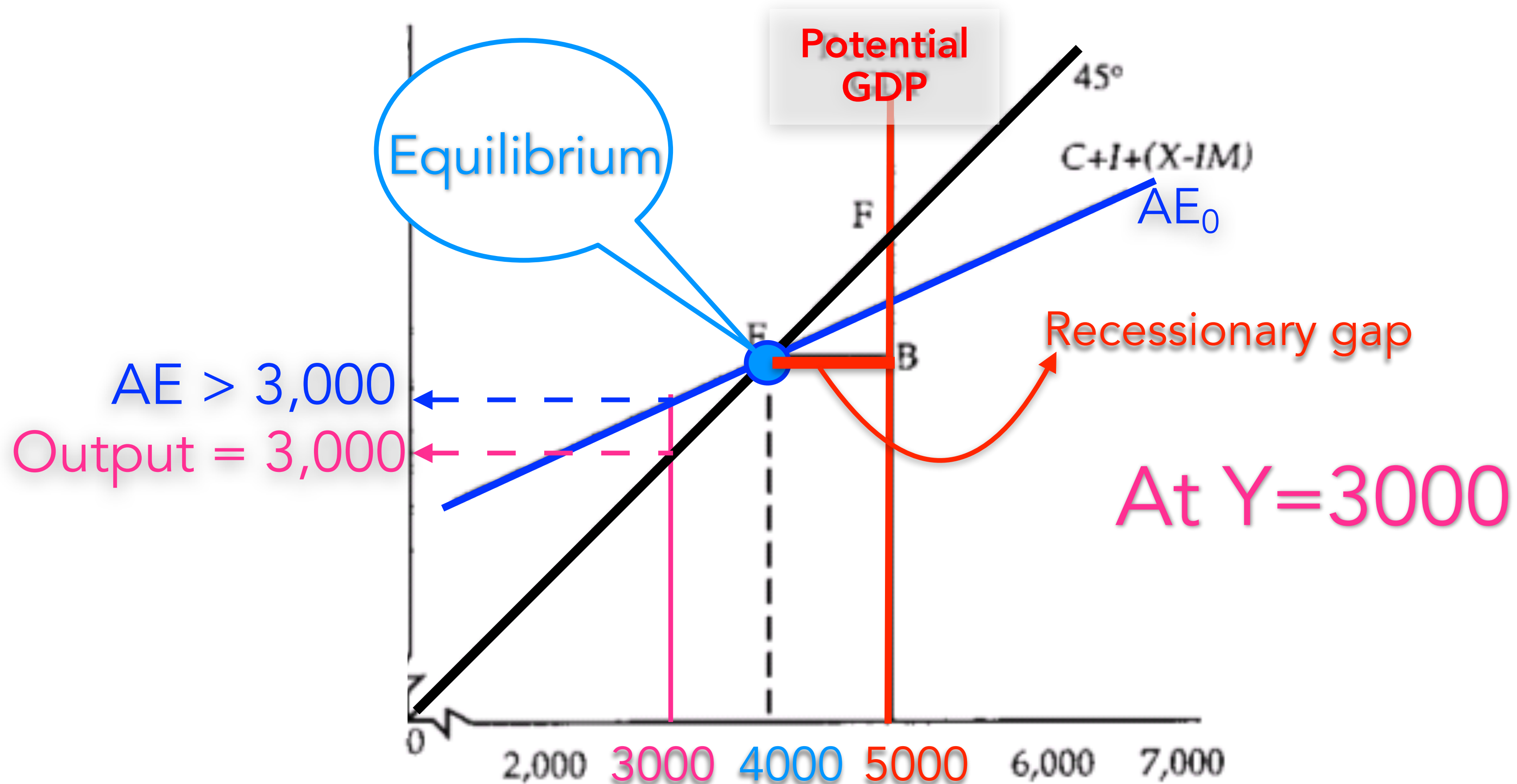






Equilibrium

At YY=30000



1. Is the economy at equilibrium? No
2. Total Spending ( $>$   $=$   $<$ ) Output
3. Inventories (rise, fall, remain the same)
4. Firms will (increase, decrease, not change) output.
5. Once the Economy reaches equilibrium, will the economy experience a (recessionary, inflationary) gap? Size of the Gap =  $5000 - 4000 = 1000$
6. At equilibrium the economy experiences (unemployment, labor shortages)

