



Does the US economy has a self correcting mechanism?

**Yes**

- When the economy experiences an **inflationary** gap, there is “**too much spending**”. Demand increases beyond the capacity of firms to meet Demand

- Wages increase (AS shifts left) and prices increase  
slowing down Demand

# Does the US economy has a self correcting mechanism?

Yes

- When the economy experiences an **inflationary** gap, there is "**too much spending**". Demand increases beyond the capacity of firms to meet Demand
- **Wages increase** (AS shifts left) and **prices increase** slowing down Demand

Does the US economy has a self correcting  
mechanism?