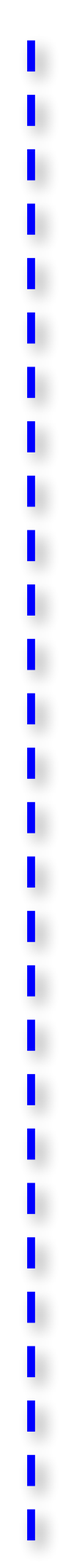


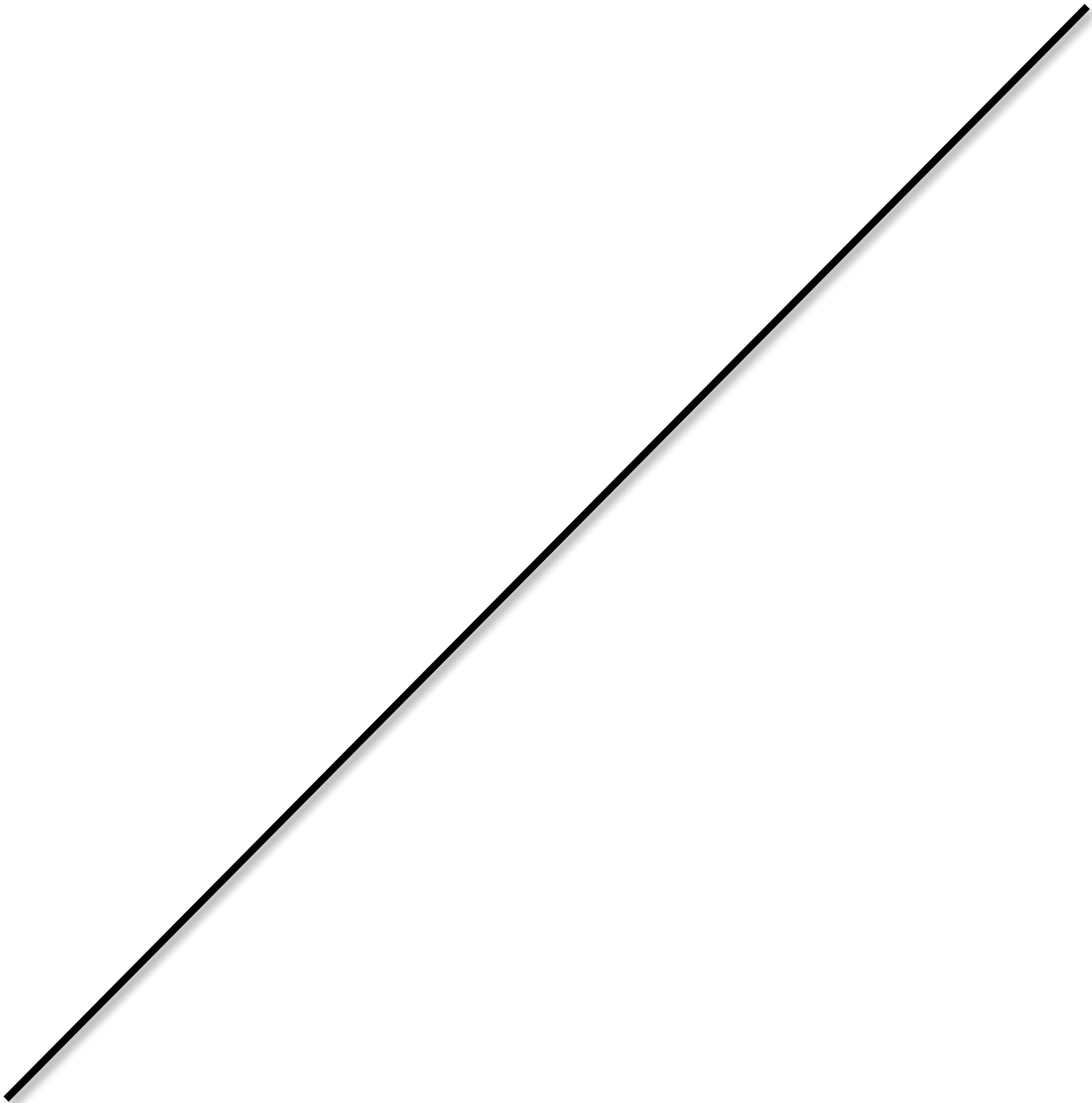
**AE**



Equilibrium GDP:

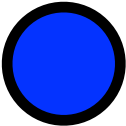
9,000







Equilibrium



AE

# Potential GDP



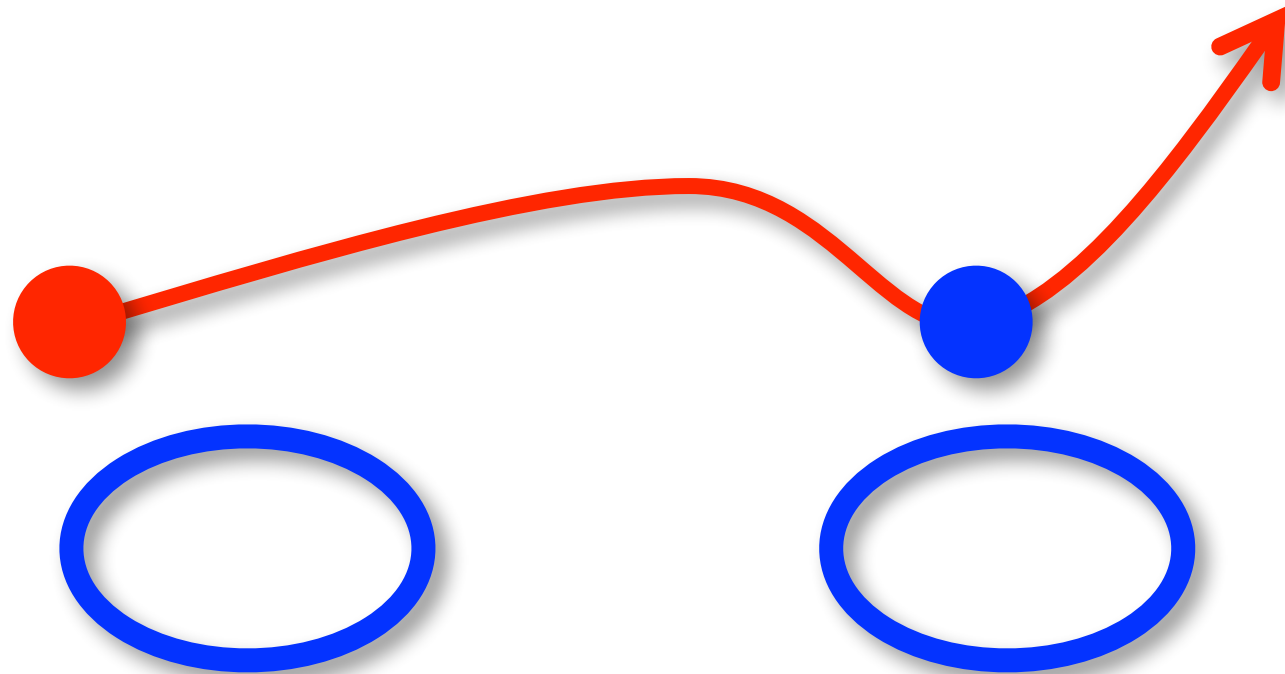
Potential

GDP : 7,000

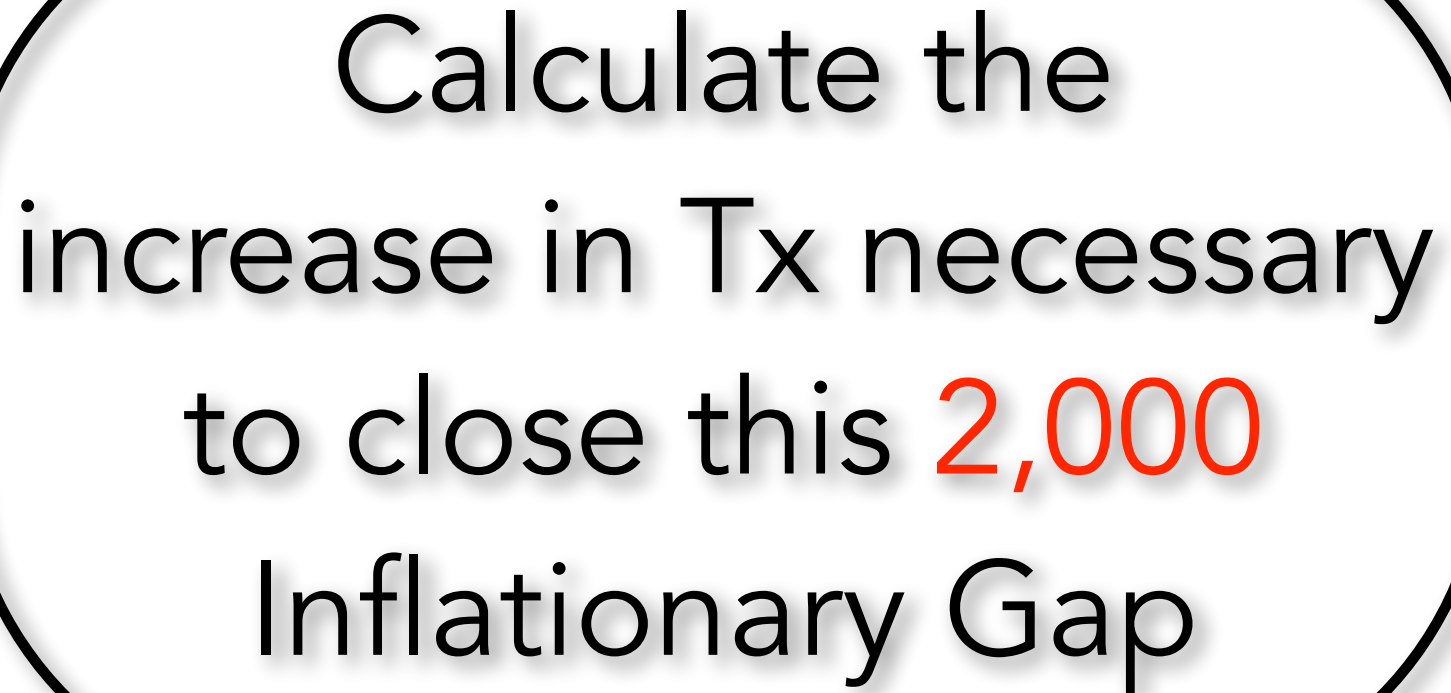


450

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







Calculate the  
increase in Tx necessary  
to close this 2,000  
Inflationary Gap

**T**





C





**S**



e

a

n



n





a









n

a



**Y**

G



a

**p**



n





e

a



S

e

**T**

a



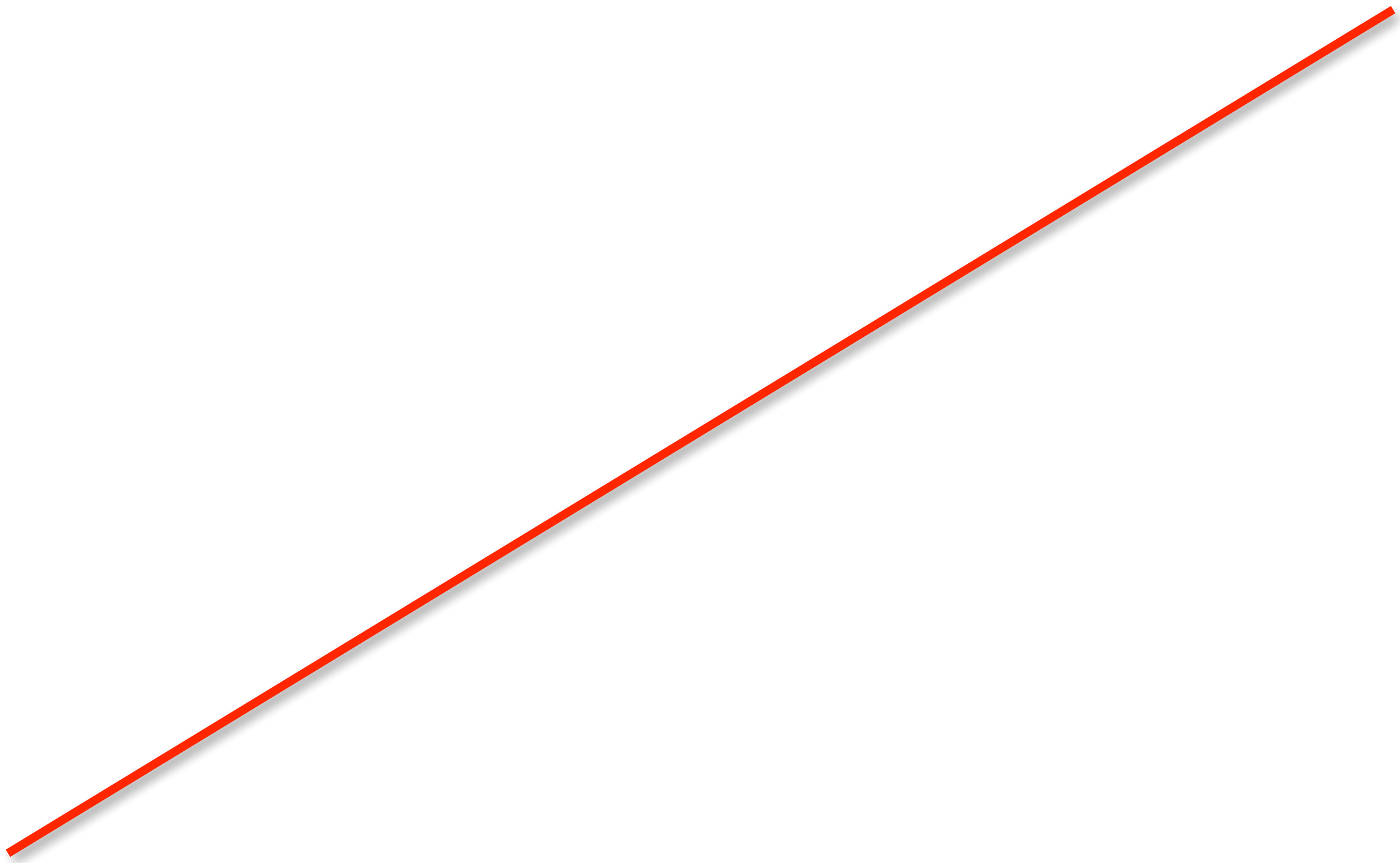
e

S

$\Delta a = ?$







AE<sub>1</sub>



Inflationary  
Gap

To close an  
Inflationary Gap

Increase Taxes

