







AE < 5,000

Output = 5,000

AE<sub>0</sub>

1. Is the economy at equilibrium?

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

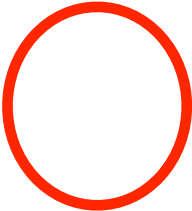
3. Inventories (rise, fall, remain the same)

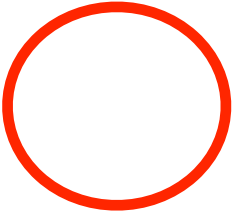
4. Firms will (increase, decrease, not change) output.

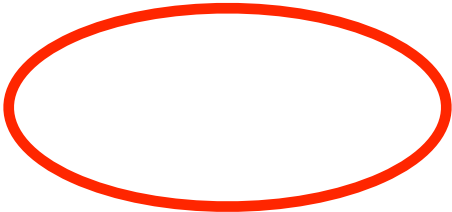
5. Once the Economy reaches equilibrium, will the economy experience a (recessionary, inflationary) gap? Size of the Gap = \_\_\_\_\_

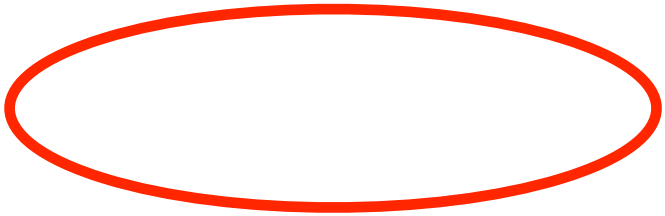


6. At equilibrium the economy experiences (unemployment/labor shortage)

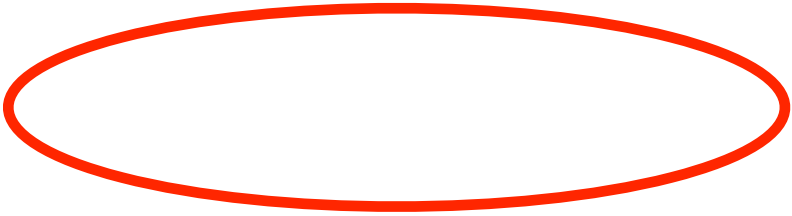








5000 - 4000 = 1000



4000



5000

No



Recessionary gap





Equilibrium

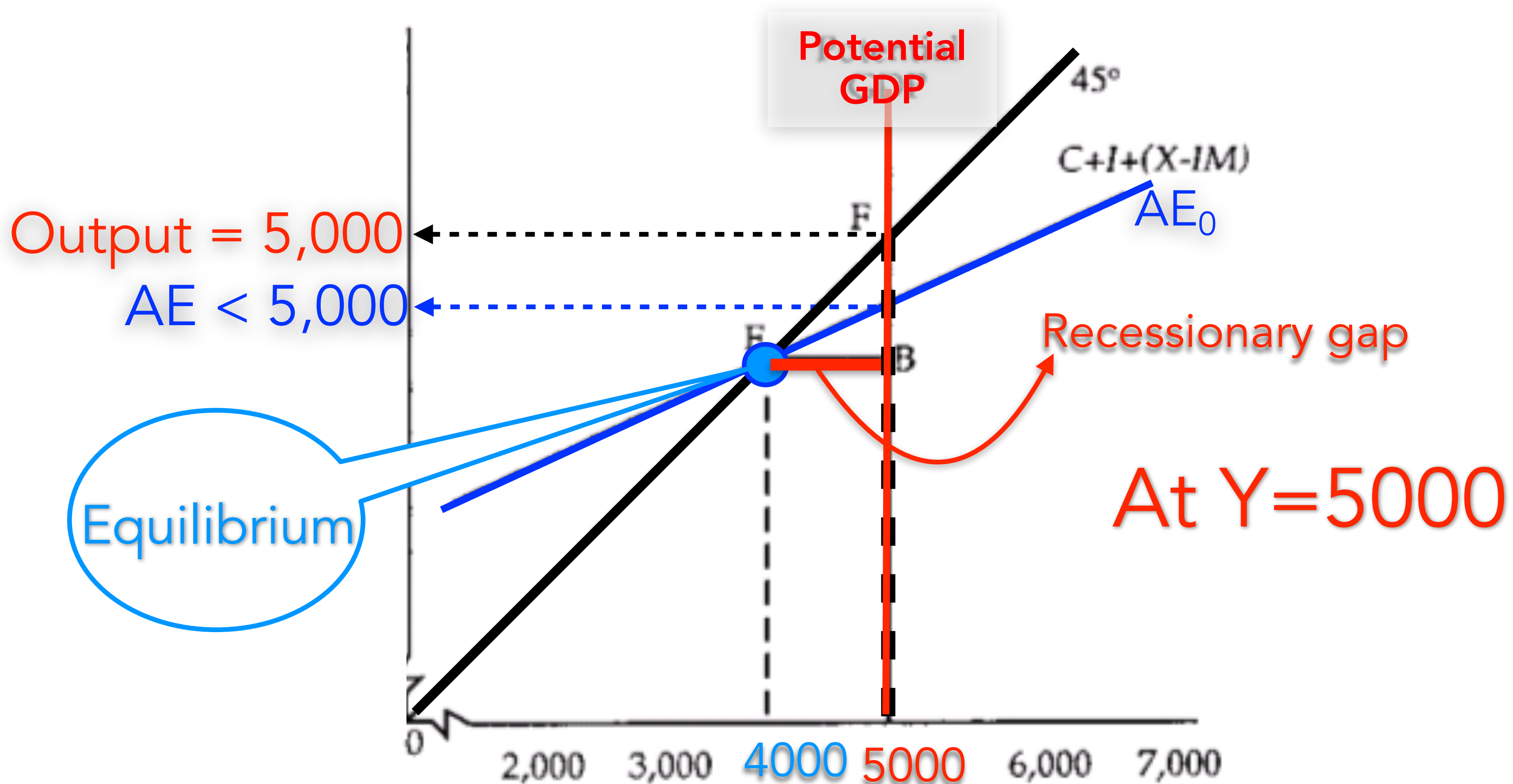
At Y=50000







**Potential  
GDP**



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)

Real Expenditures  
(Billions)

