

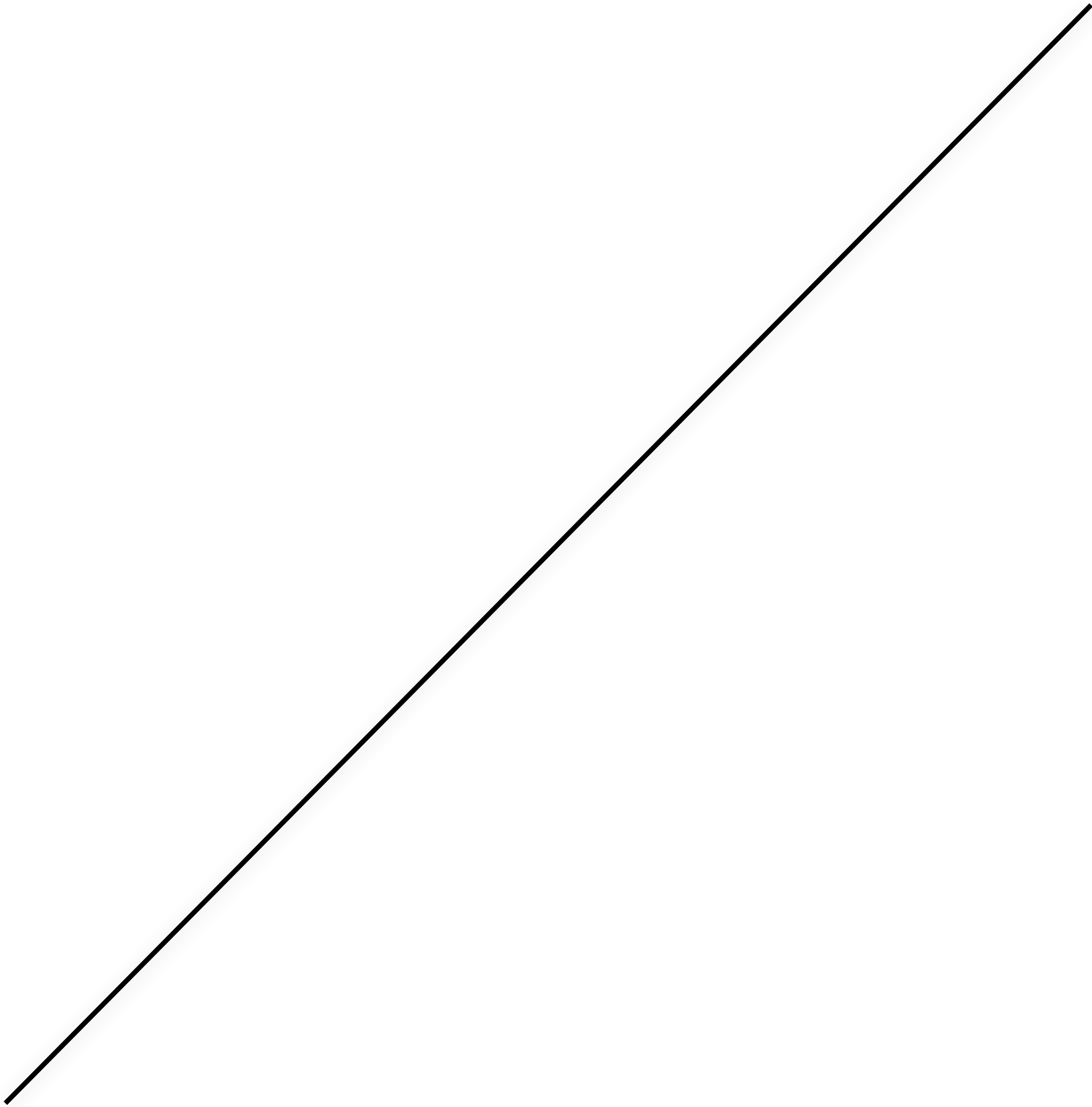
A

E



Equilibrium GDP





Equilibrium.

AE₀

Potential GDP



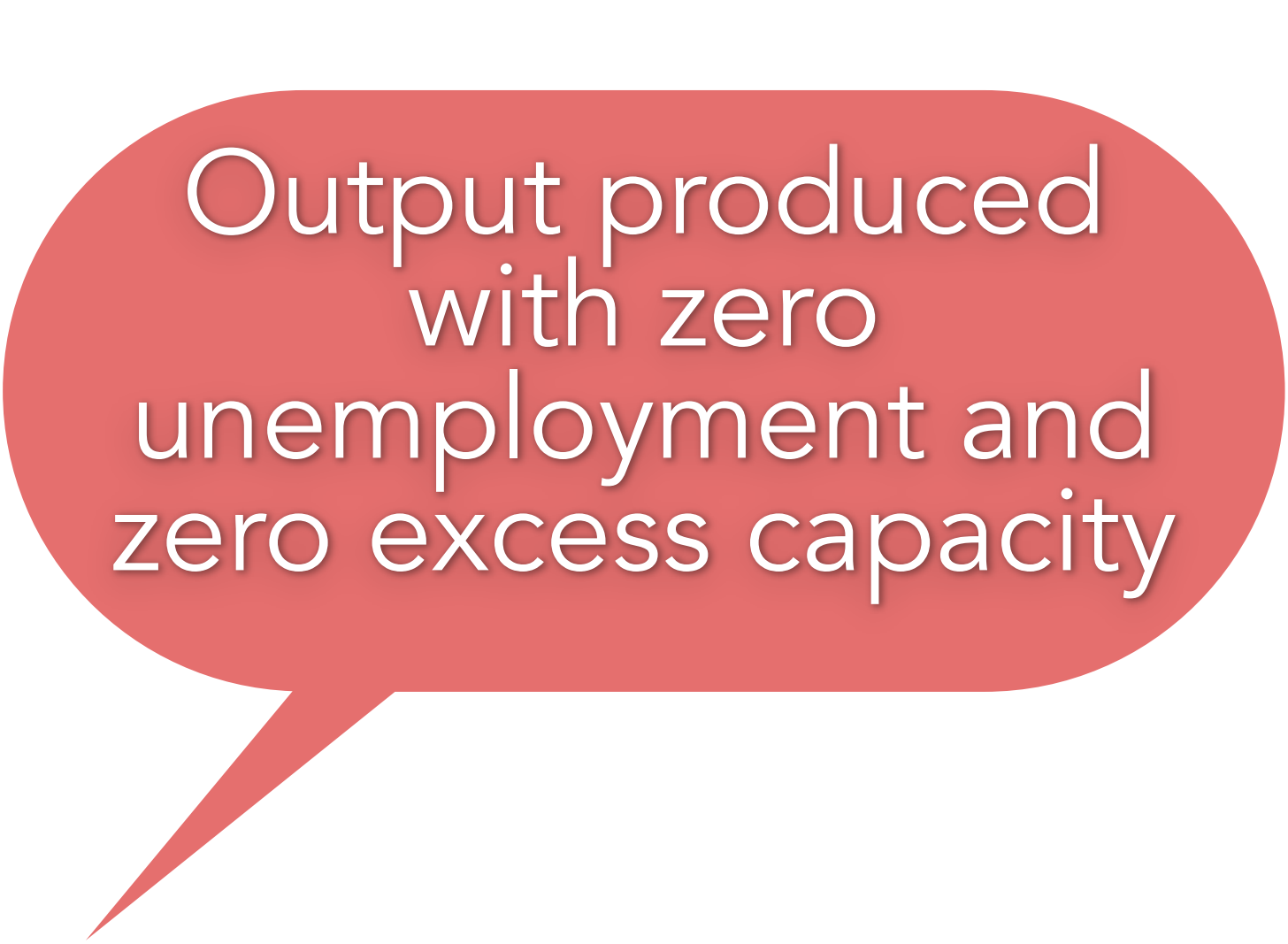


45°



Potential GDP

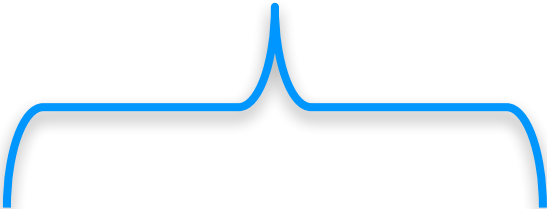



A large red speech bubble with a white drop shadow, containing white text. The bubble has a tail pointing towards the bottom left corner of the image.

Output produced
with zero
unemployment and
zero excess capacity

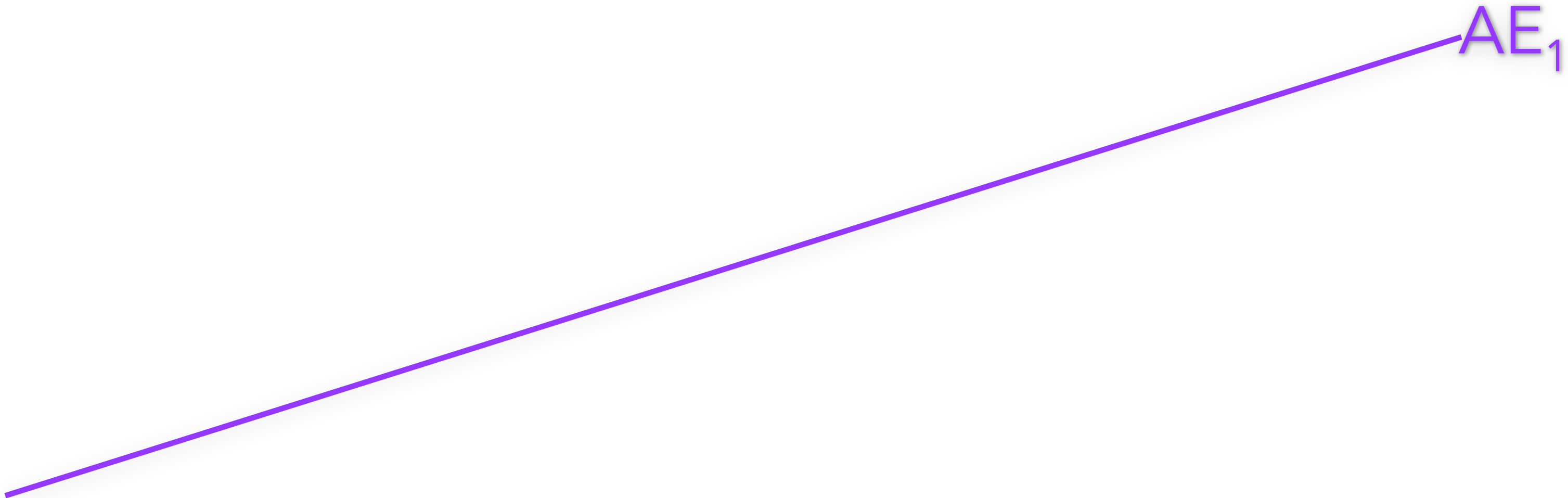
A blue speech bubble with a white outline and a white drop shadow, pointing towards the bottom right. Inside the bubble, the words "Recessionary" and "Gap" are written in a white, sans-serif font, stacked vertically and centered.

Recessionary
Gap





To close a
Recessionary
Gap: AE
must rise





New Equilibrium
= Potential GDP



