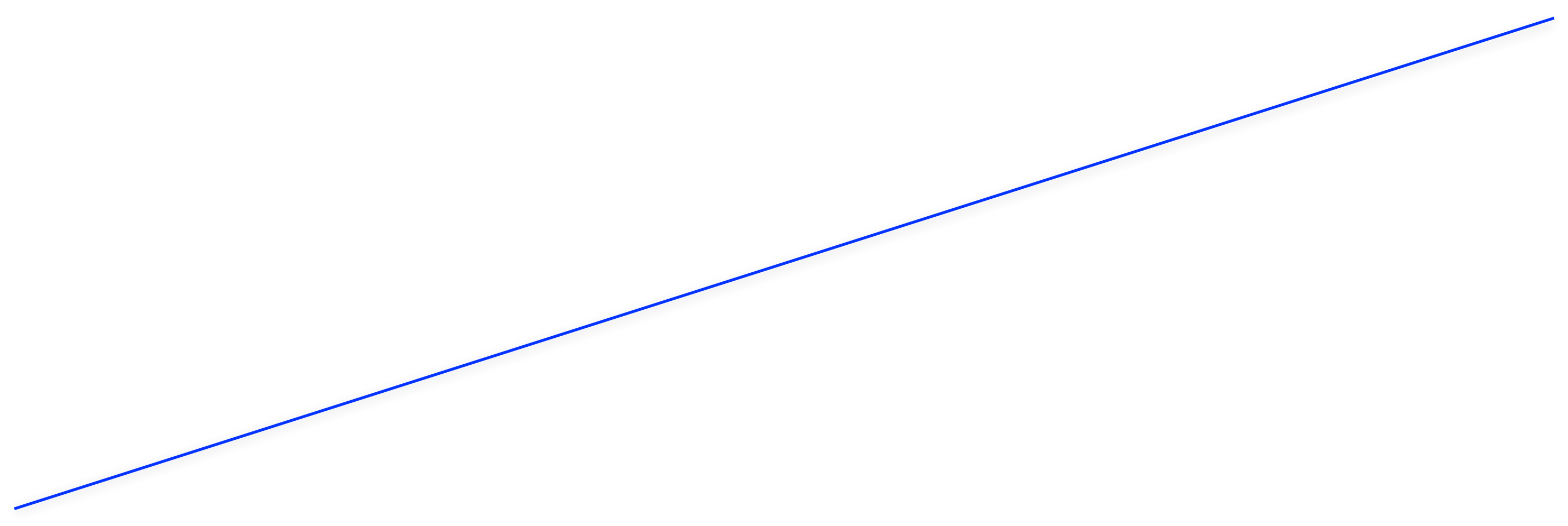


A

E



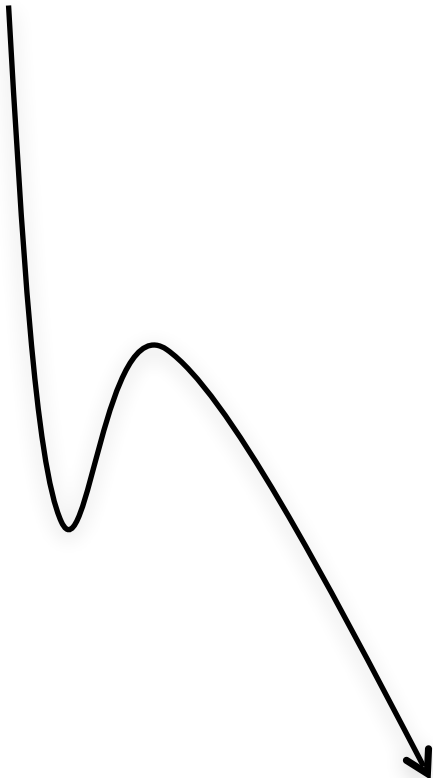


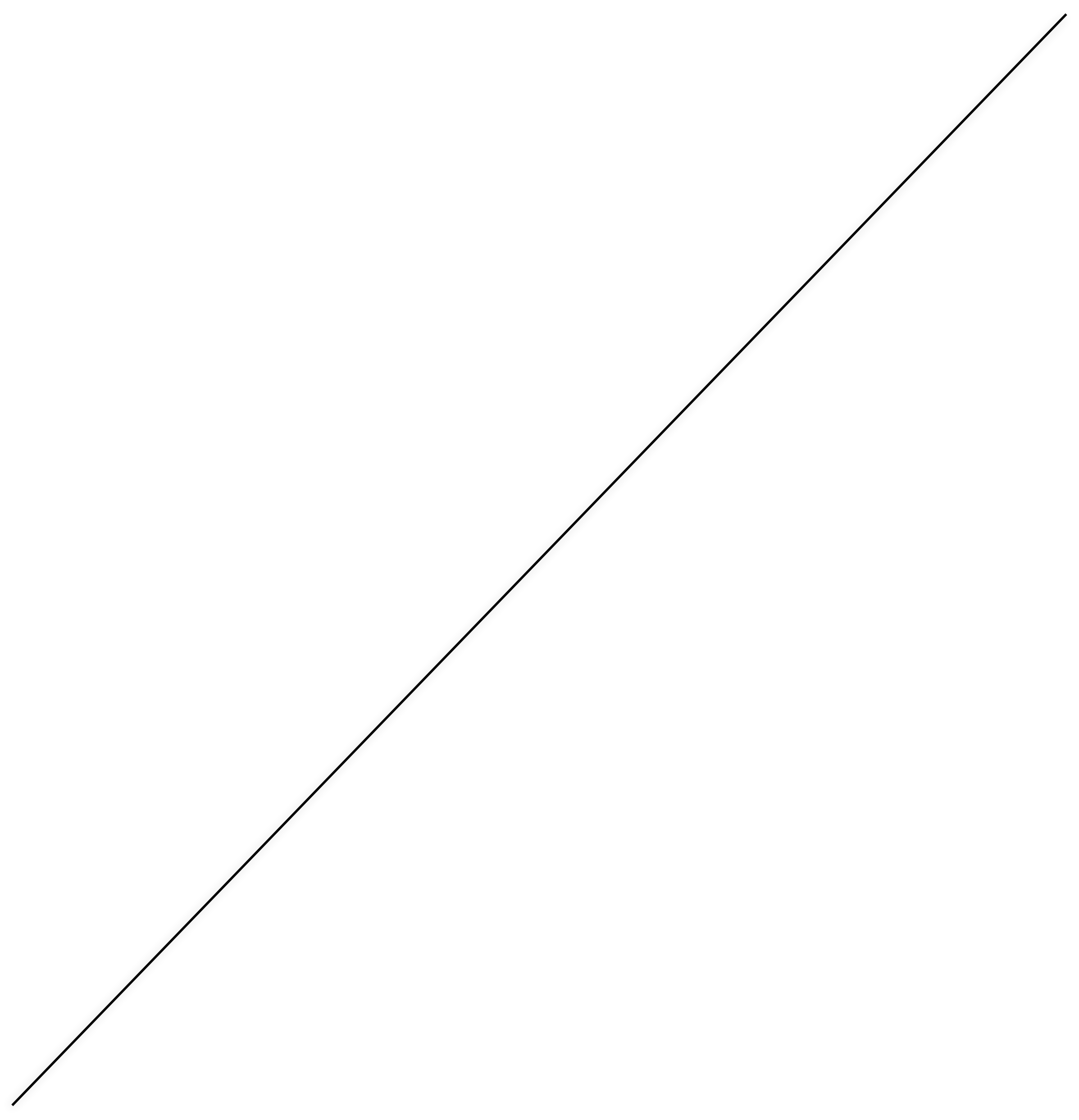




Higher Y^*

Equilibrium

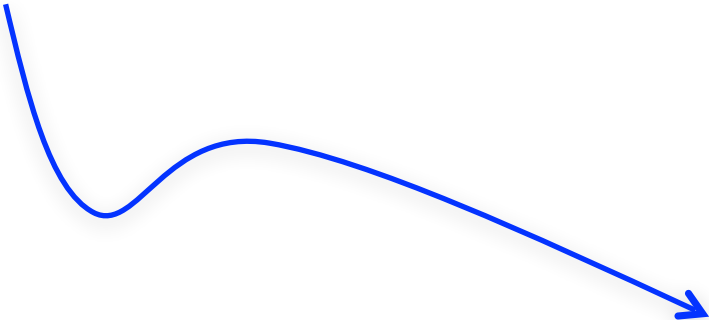












AE0

GDP/Income





Total

Production

Total
Purchases



Inventories
fall

A

E


1

Y

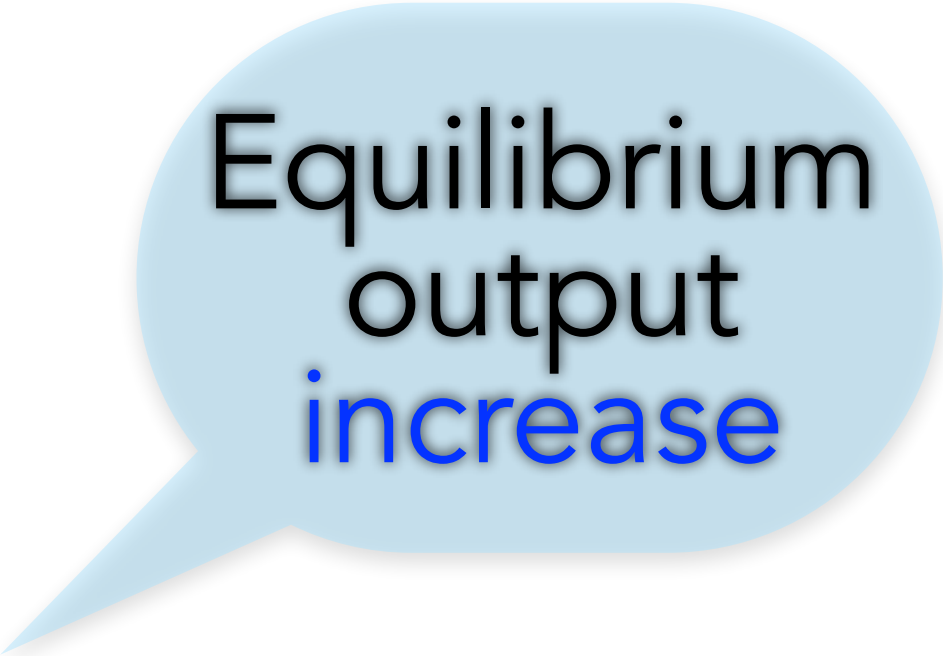
*

O

New Equilibrium



Firms increase
output and
employment



Equilibrium
output
increase



Unemployment
decrease



AE line
shifts up































V



















































N



































2























W























































































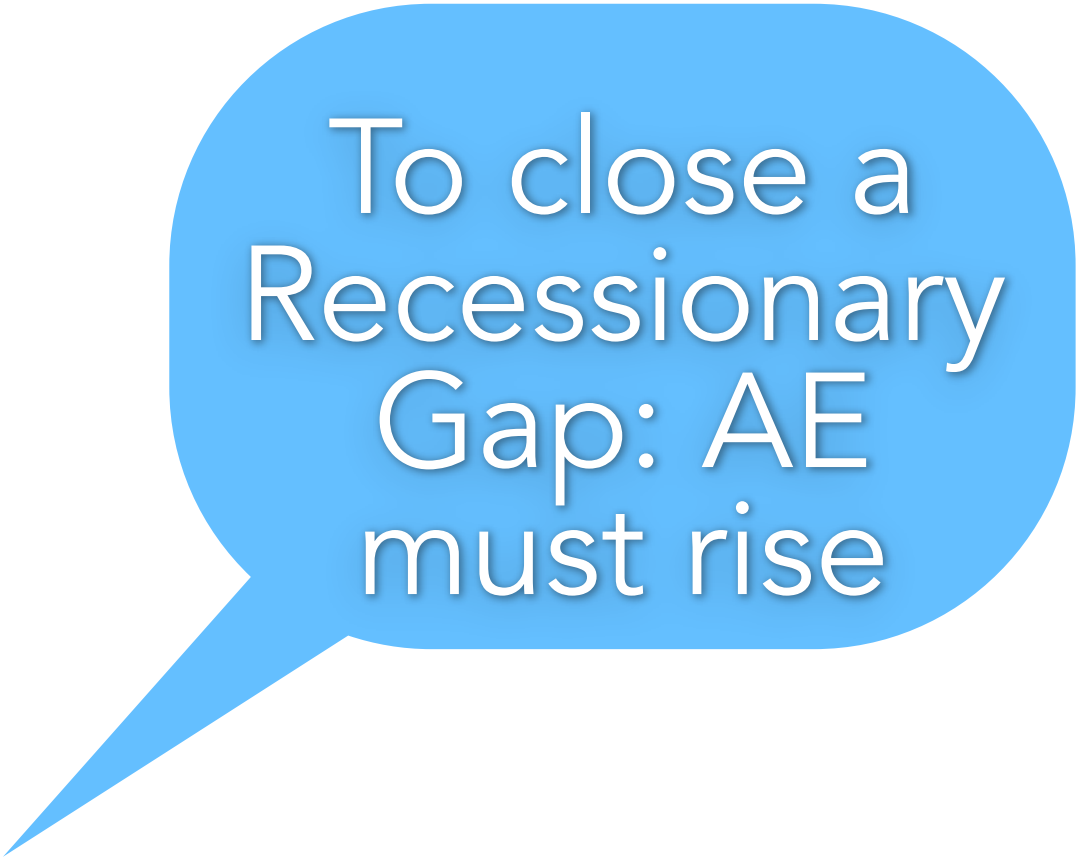




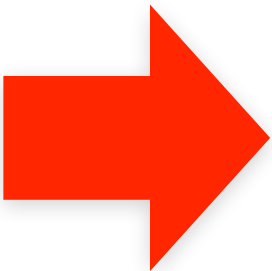








To close a
Recessionary
Gap: AE
must rise



Autonomous
Consumption
increase

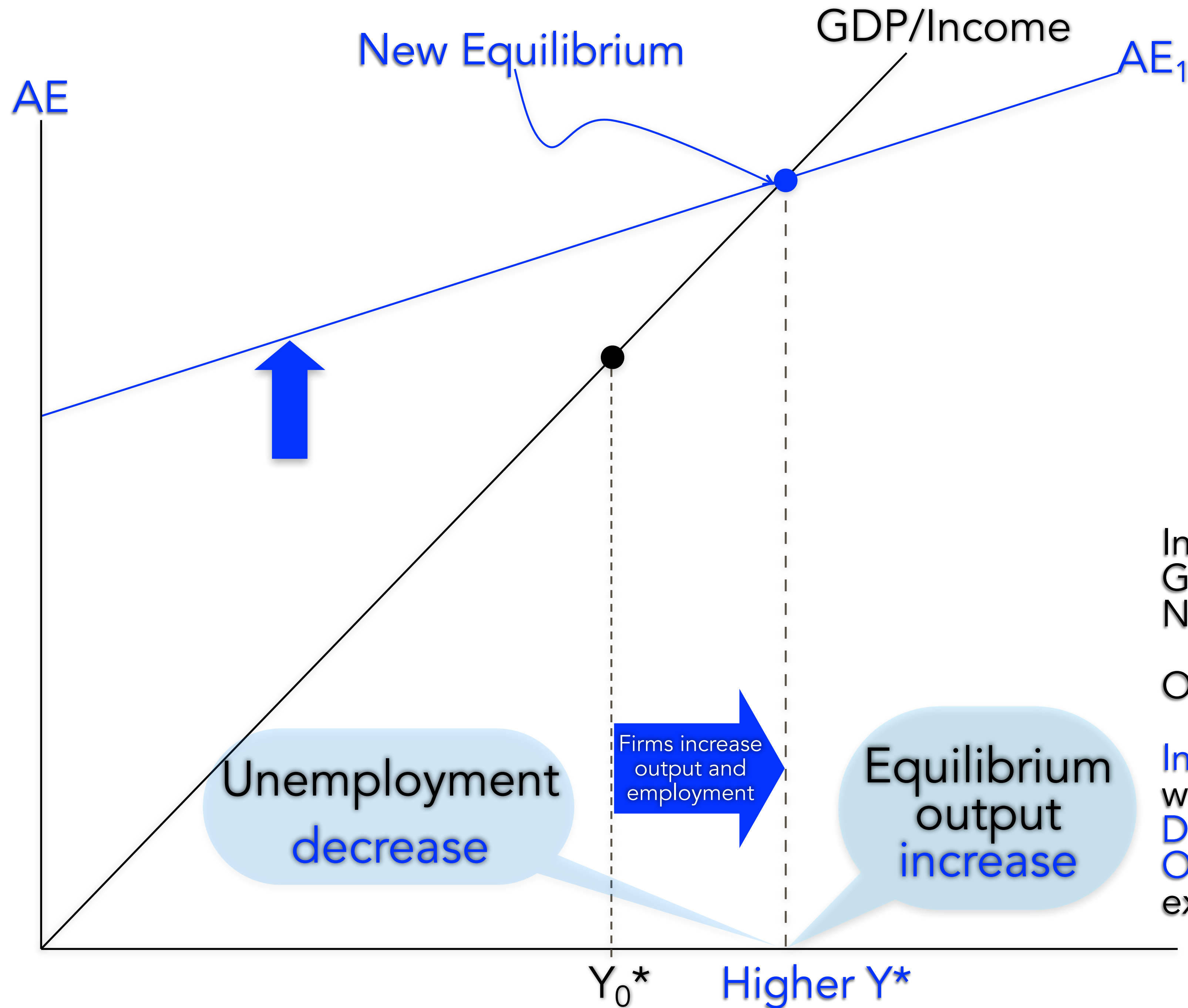
An **increase** in:
Investment
Government Spending
Net Exports

Or...

Increase in Consumer
wealth

Decrease in CPI

Optimistic consumer
expectations



To close a
Recessionary
Gap: AE
must rise

An **increase** in:
Investment
Government Spending
Net Exports

Or...

Increase in Consumer
wealth
Decrease in CPI
Optimistic consumer
expectations

Autonomous
Consumption
increase

