

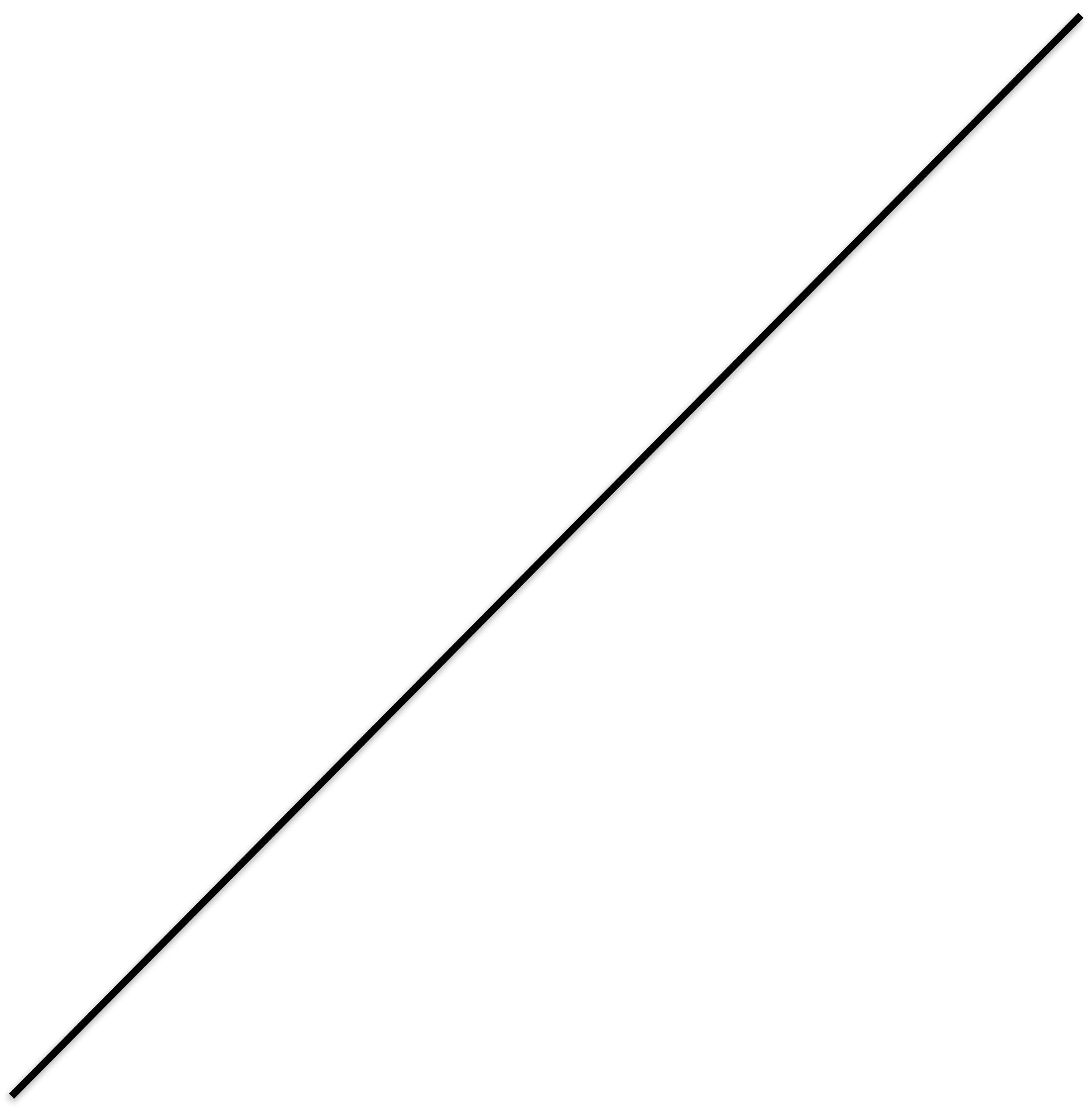
AE



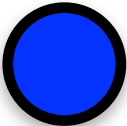
Equilibrium GDP:

6,000





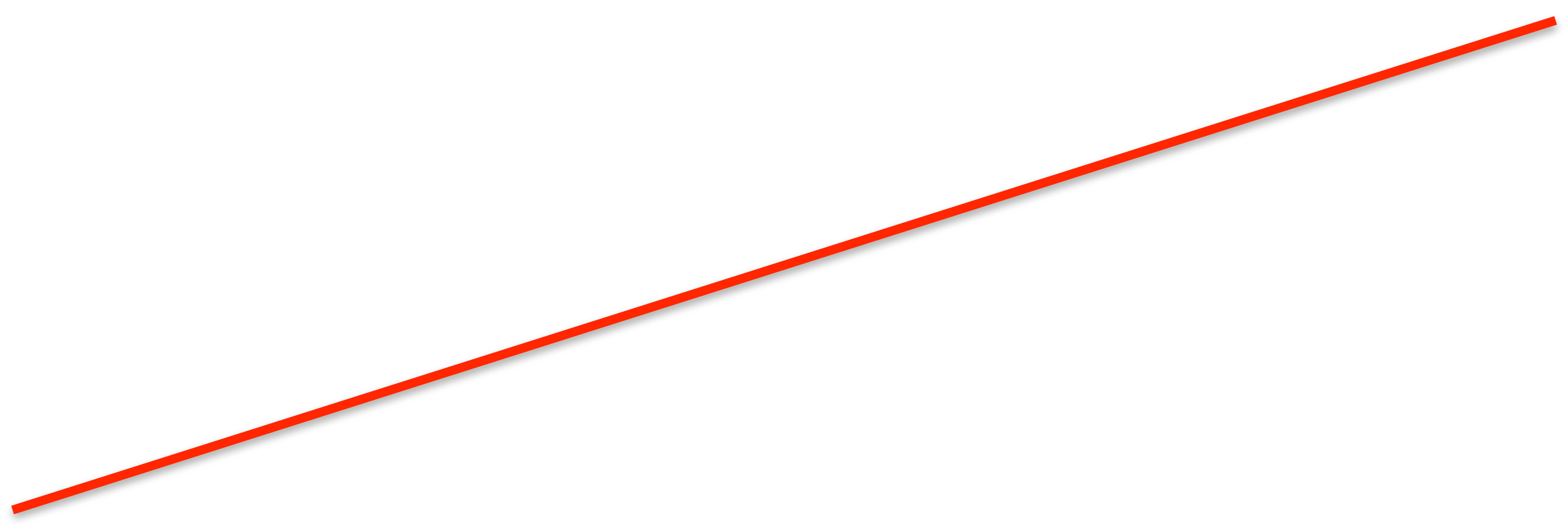
Equilibrium



AE₀

Potential
GDP





AE₁

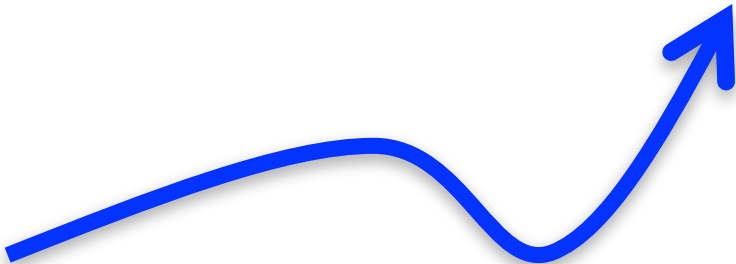


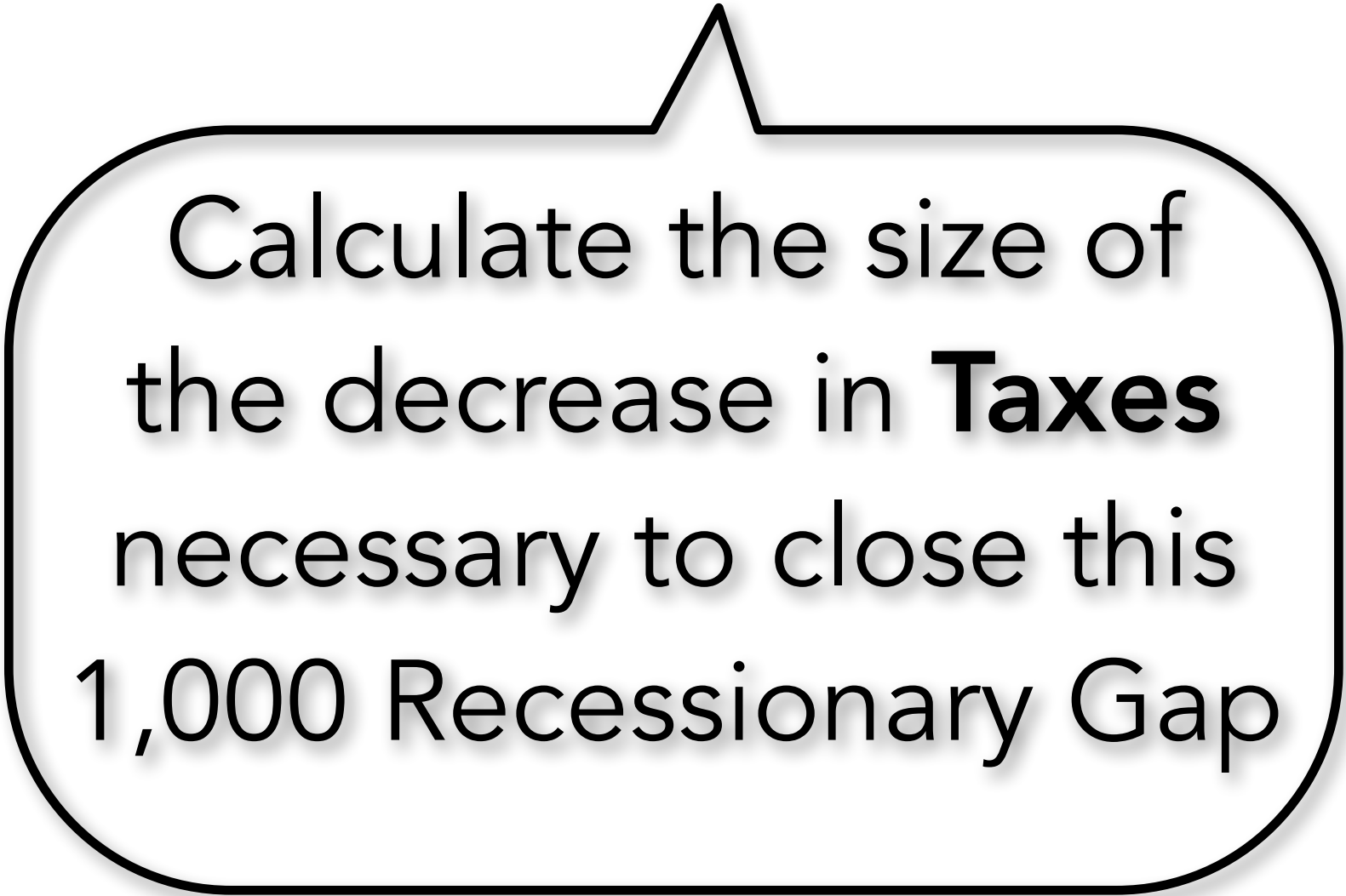
Potential

GDP : 7,000

Recessionary Gap:

$$7,000 - 6,000 = 1,000$$





Calculate the size of
the decrease in **Taxes**
necessary to close this
1,000 Recessionary Gap











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 $\Delta a = ?$

To close a
Recessionary Gap
Decrease Taxes in
order to increase
Consumption

To close a
Recessionary Gap
Decrease Taxes in
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Calculate the size of
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