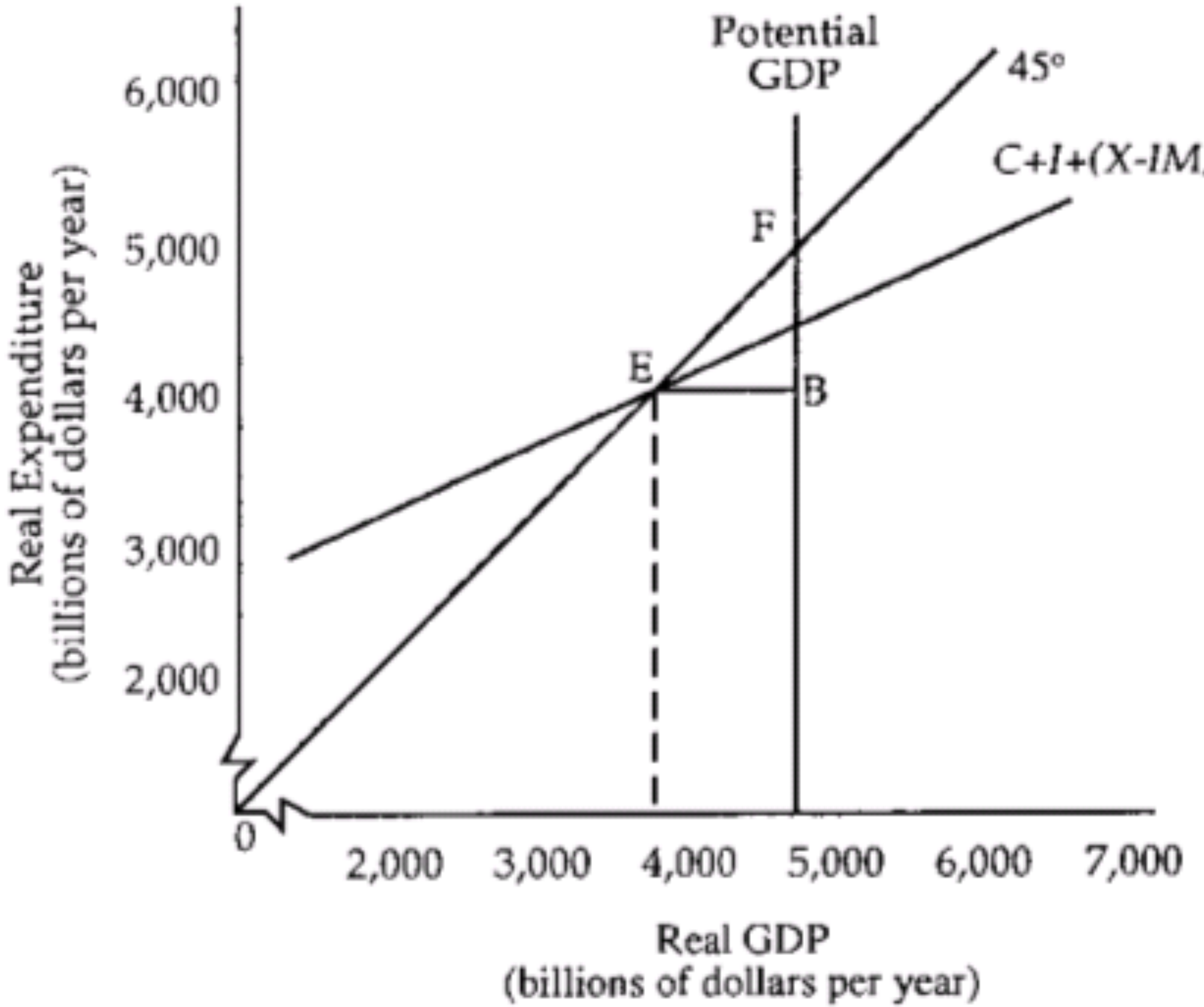
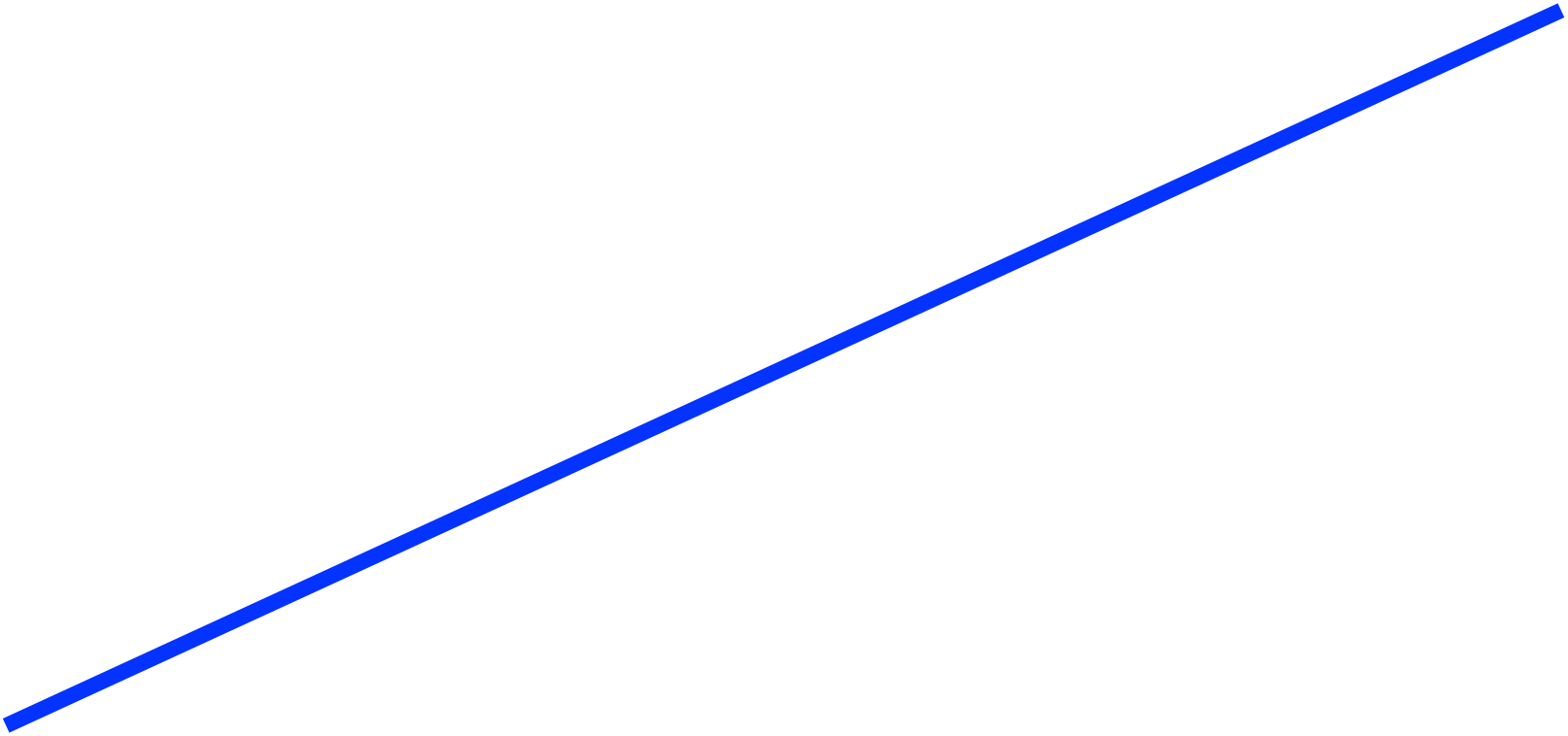

Potential
GDP
45°
C+I+(X-IM)
F
E
B
6,000
5,000
4,000
3,000
2,000
0
2,000
3,000
4,000
5,000
6,000
7,000
Real Expenditure
(billions of dollars per year)
Real GDP
(billions of dollars per year)



AE = 4,000

Output

= 4,000

Potential GDP

AE0

1. Is the economy at equilibrium ?

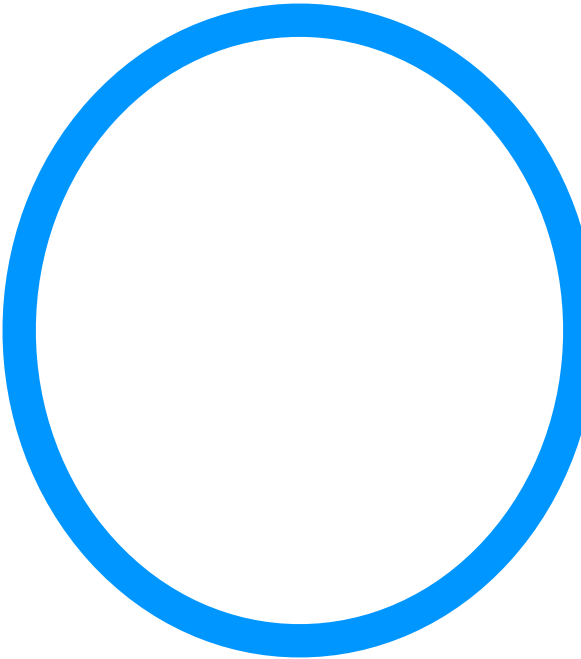
2. Total Spending(> = <)Output

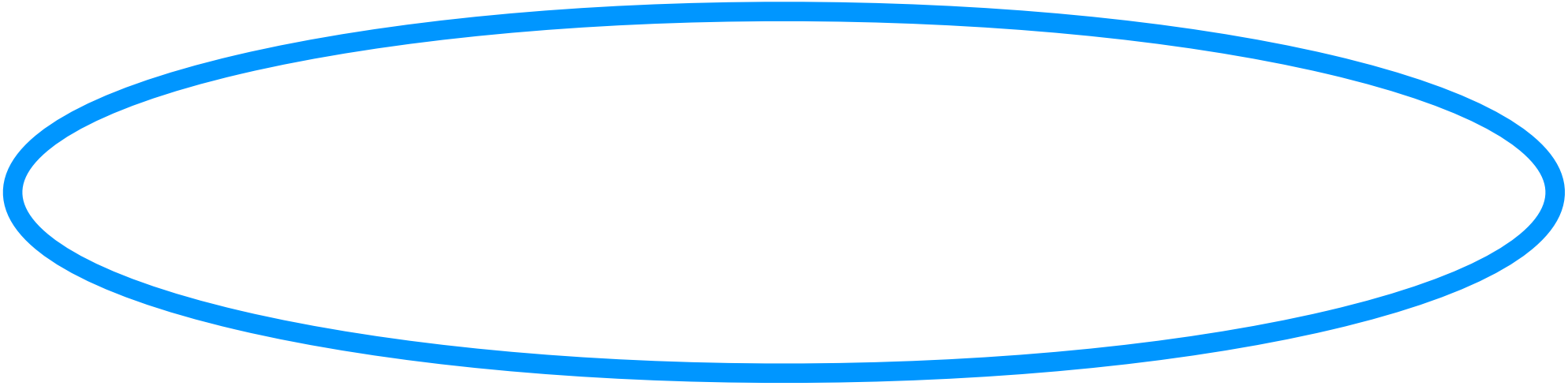
3. Inventories (rise, fall, remain the same)

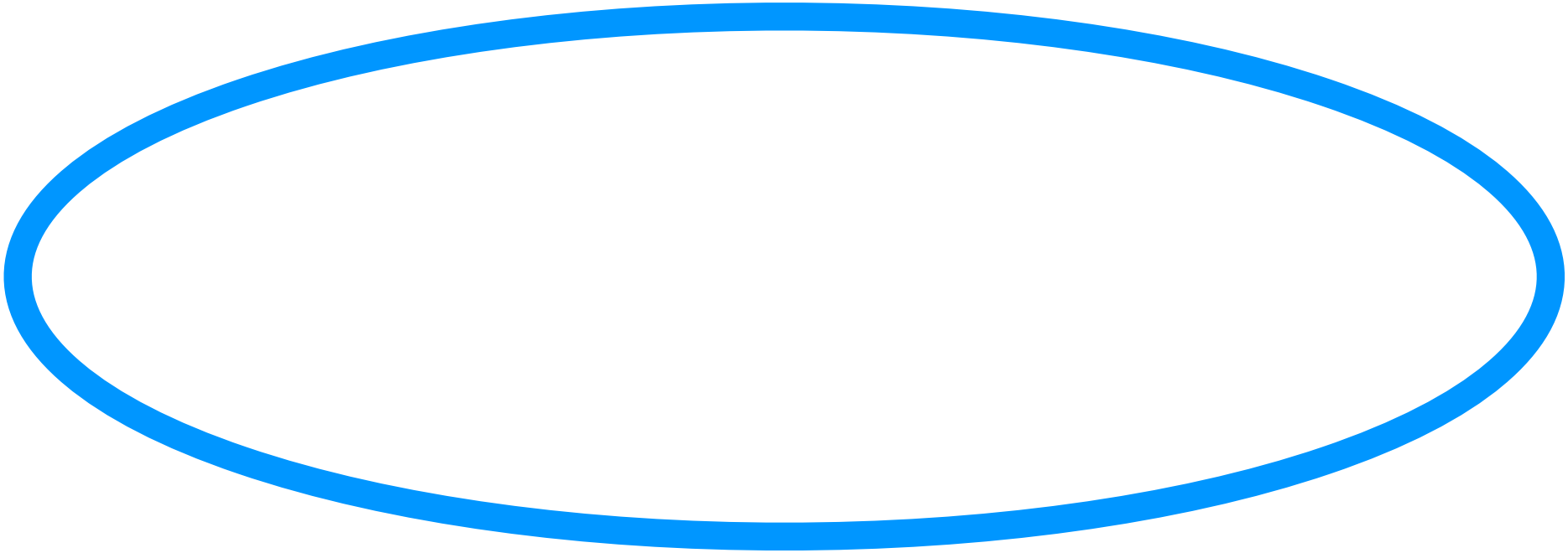
4. Firms will (increase, decrease, not change)output.

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

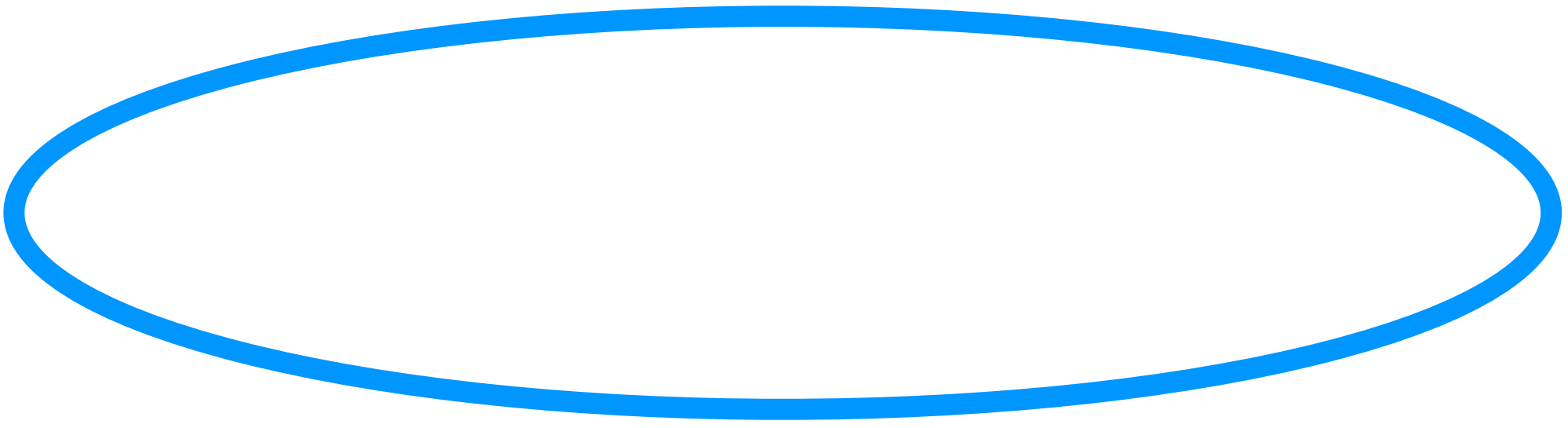
6. At equilibrium the economy experiences (unemployment/labor shortages)







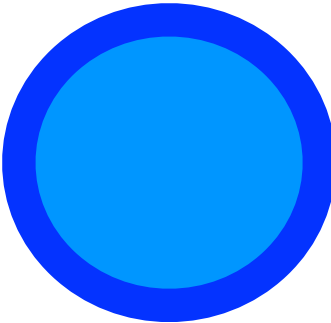
5000 - 4000 = 1000 or EB

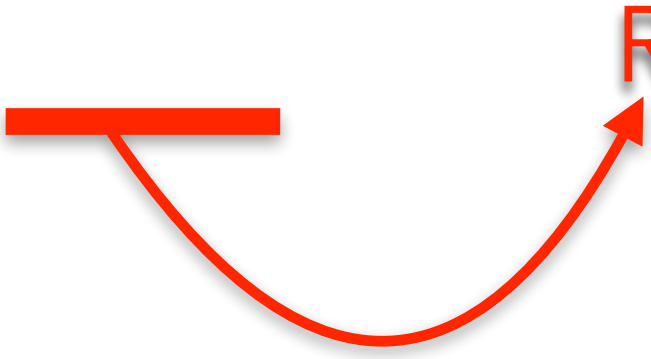


4000

5000

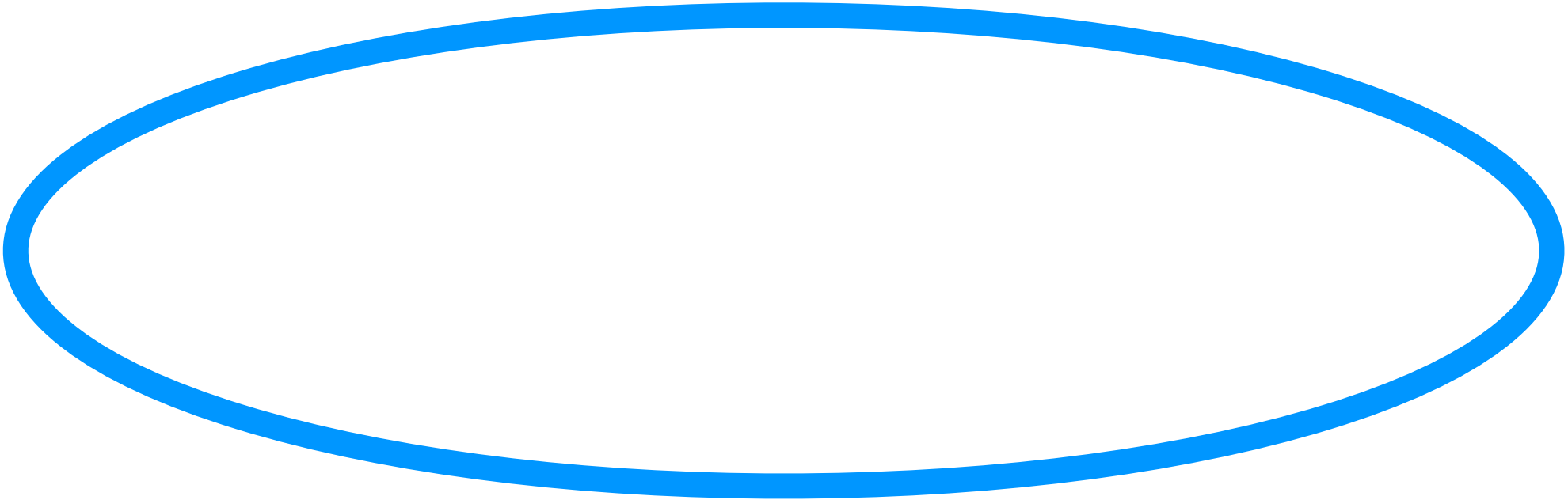
Yes

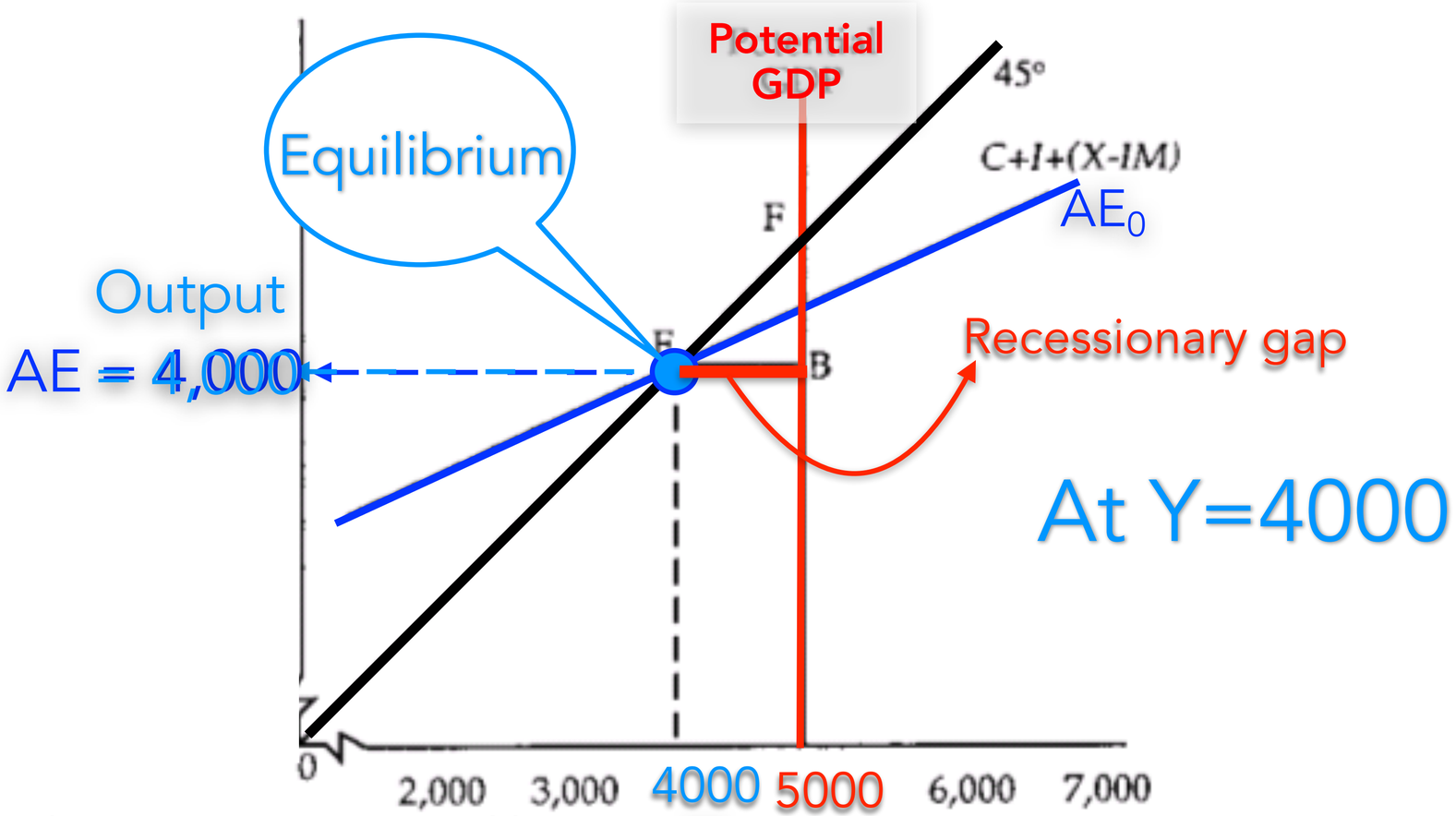



Recessionary gap

Equilibrium

At Y=4000





1. Is the economy at equilibrium ? Yes
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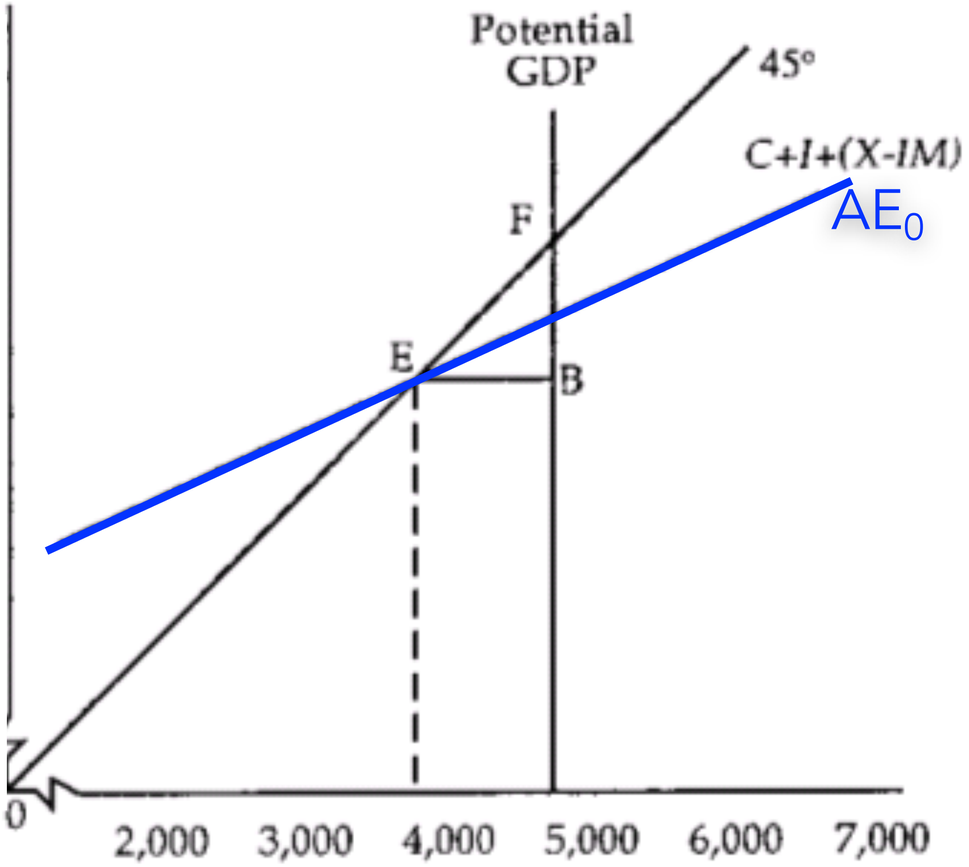
Potential
GDP
45°
C+I+(X-IM)
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E
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