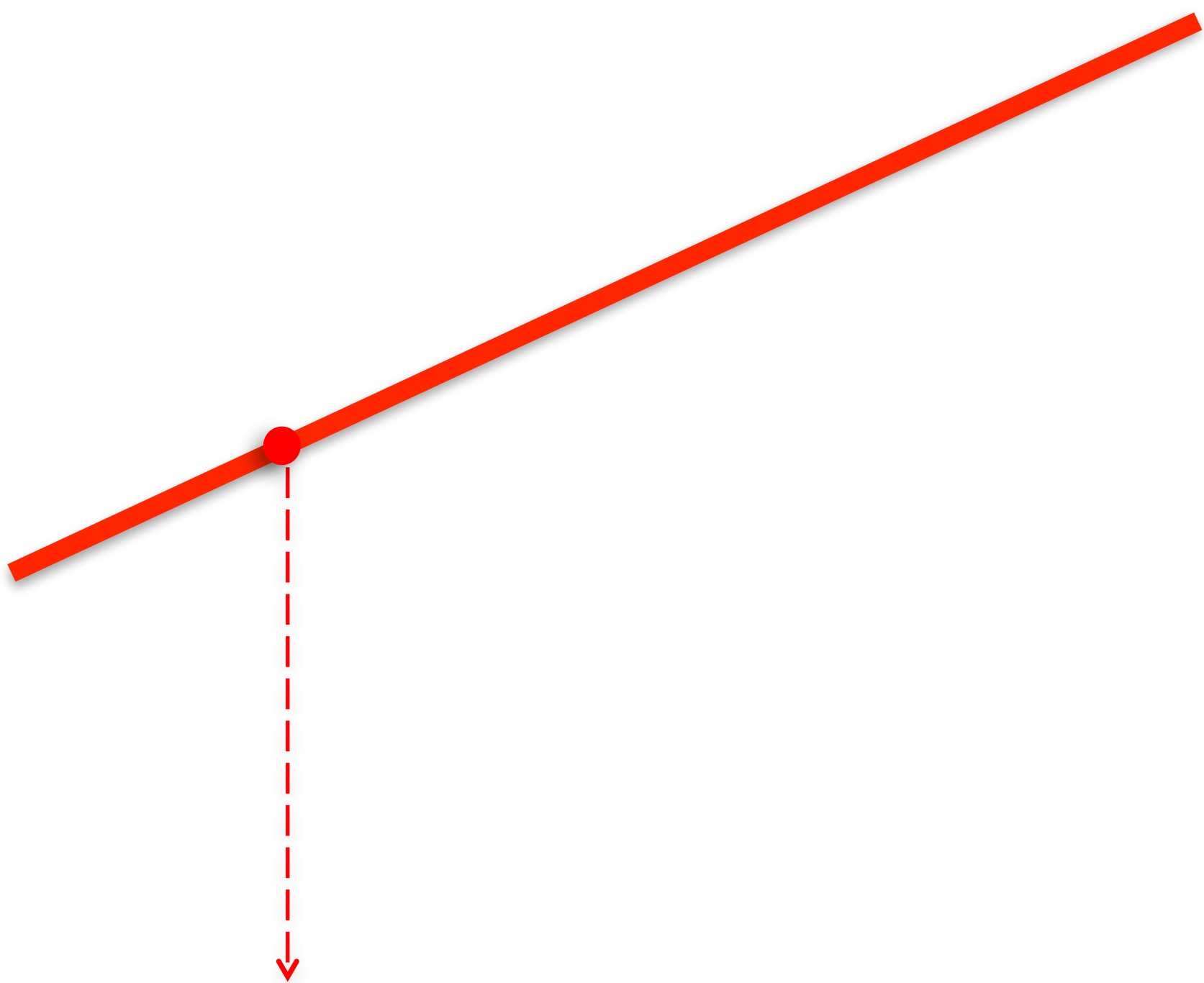


Which AE line will cause a
recessionary gap?

Which AE line will cause
an Inflationary gap?



Actual GDP
Lower than
Potential GDP

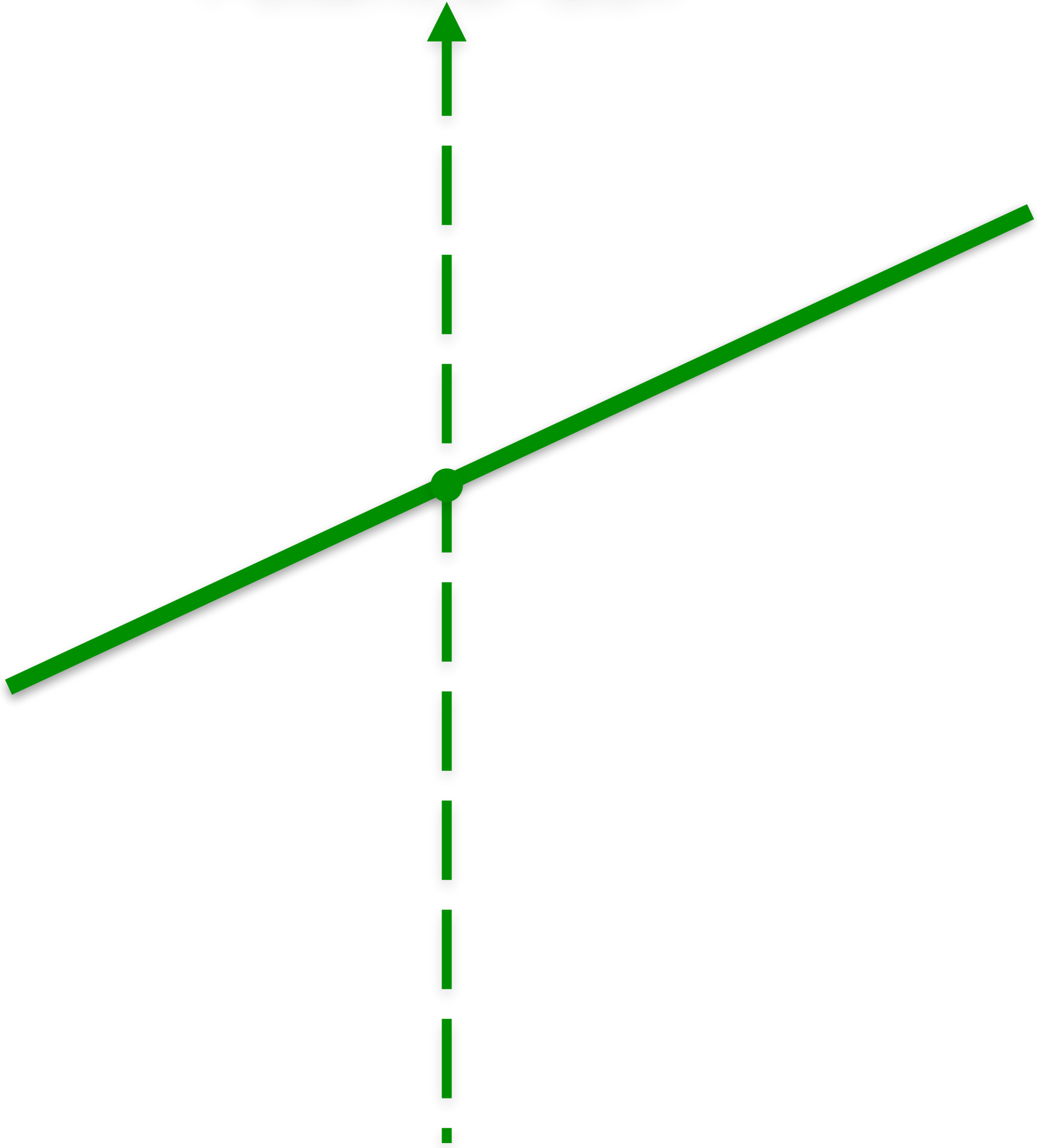
A red speech bubble with a white number 3 inside. The bubble has a tail pointing towards the top-left corner.

3

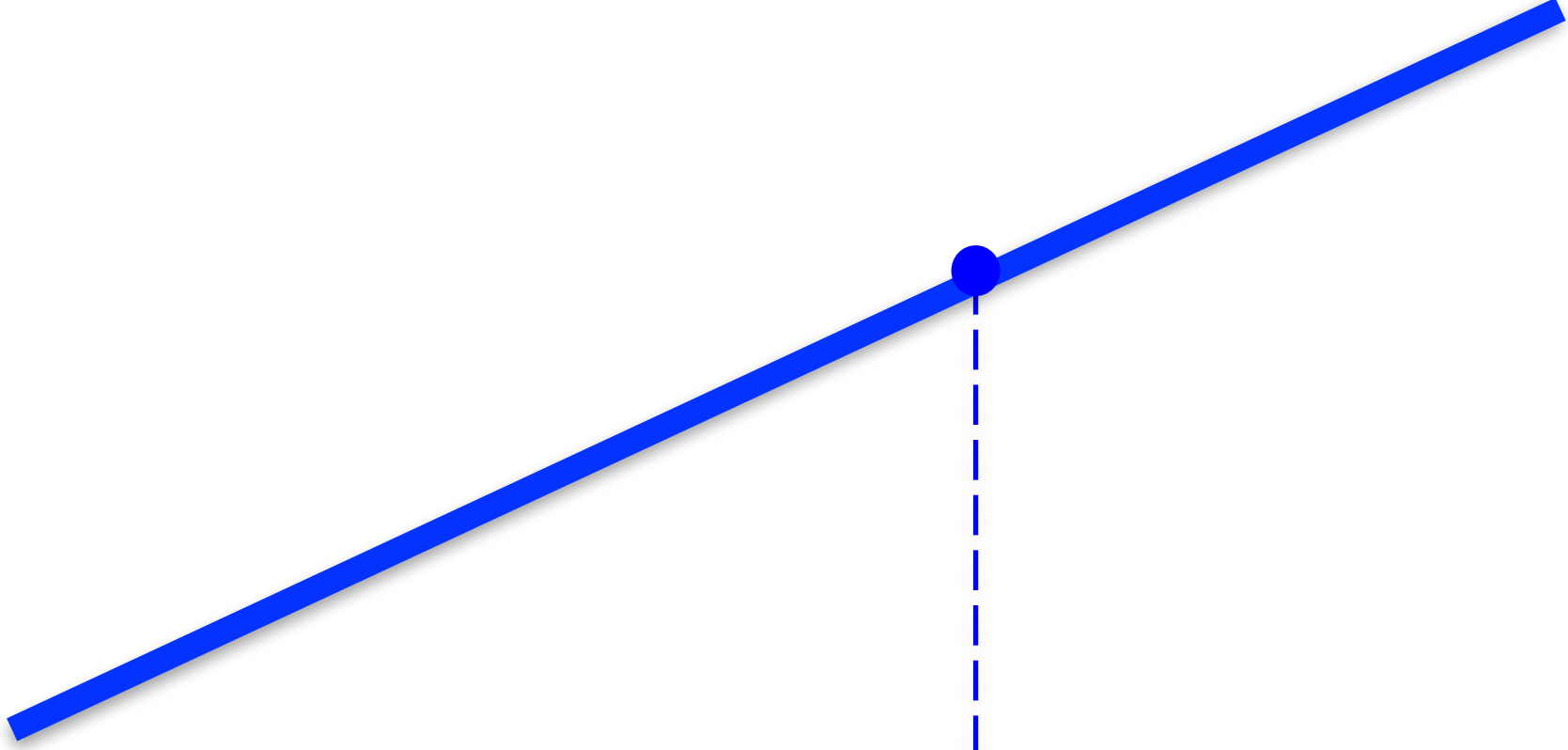
A blue speech bubble with a white number 1 inside. The bubble has a pointed tail on the left side. The number 1 is centered within the bubble.

1

Actual GDP
= Potential GDP







Actual GDP
Higher than
Potential GDP

For which AE line will the
economy produce at
Potential GDP?

