



AE = 4,000

Output

= 4,000

**Potential
GDP**

AE₀

1. Is the economy at equilibrium?

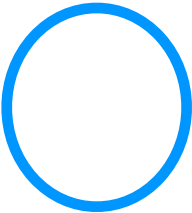
2. TotalSpending(\geq \leq)Output

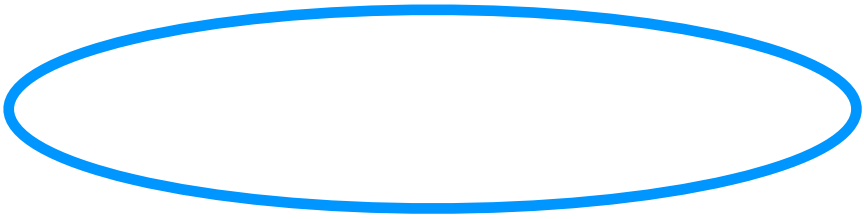
3. Inventories (rise, fall, remain the same)

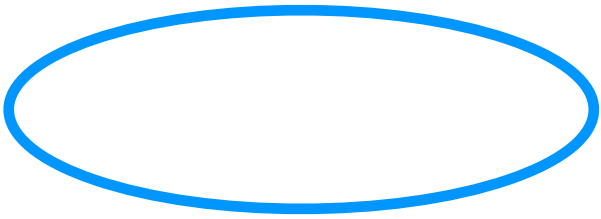
4. Firms will (increase, decrease, not change) output.

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

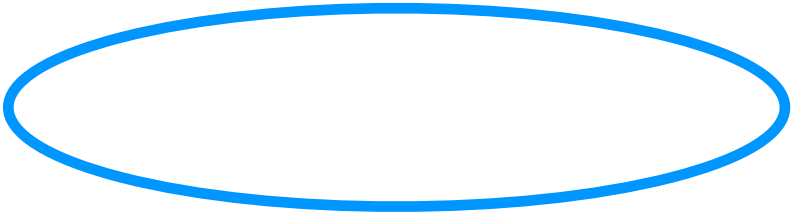
6. At equilibrium the economy experiences (unemployment/labor shortage)







5000-4000=1000 or EB



4000

5000

Yes



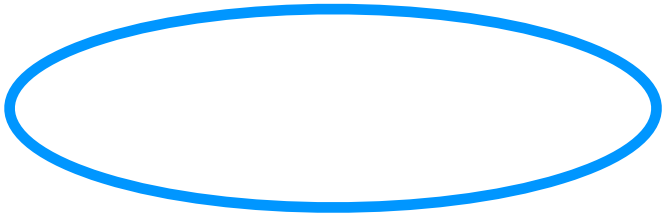
Recessionary gap

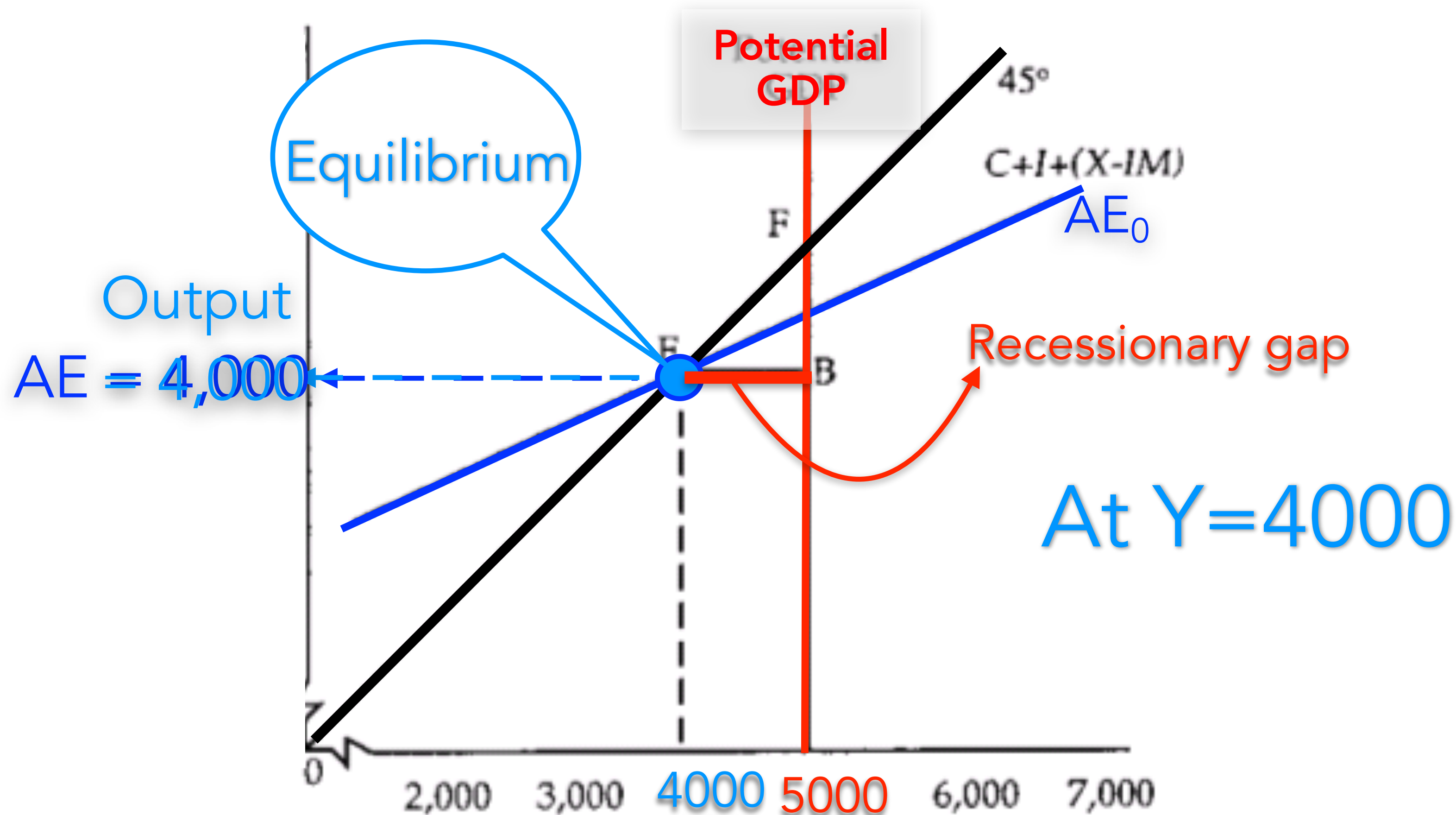




Equilibrium

At Y=40000





1. Is the economy at equilibrium? **Yes**
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 = **5000 - 4000 = 1000** or **EB**
6. At equilibrium the economy experiences (**unemployment**/labor shortages)

