



AE < 5,000

Output = 5,000

AE₀

1. Is the economy at equilibrium?

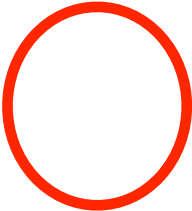
2. TotalSpending(\geq \leq) Output

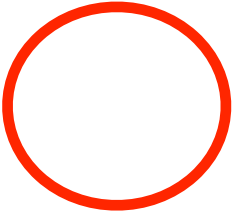
3. Inventories (rise, fall, remain the same)

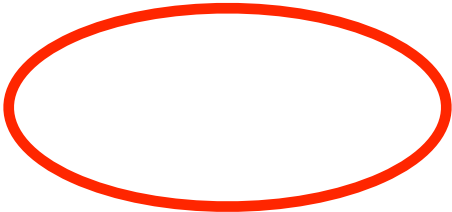
4. Firms will (increase, decrease, not change) output.

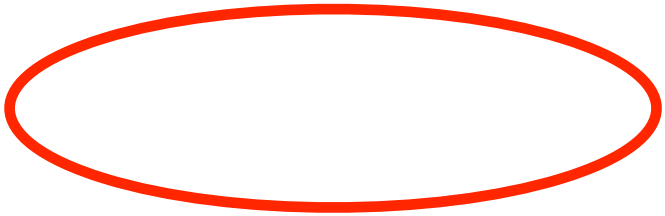
5. Once the Economy reaches equilibrium, will the economy experience a (recessionary, inflationary) gap? Size of the Gap = _____

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

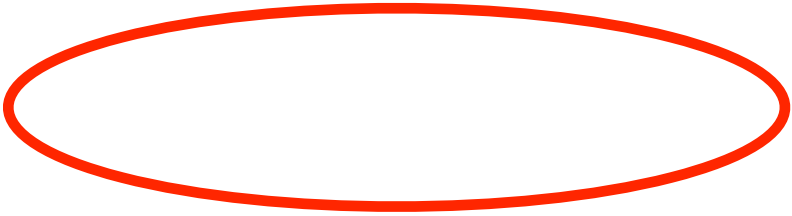








$$5000 - 4000 = 1000$$



4000

5000

No



Recessionary gap





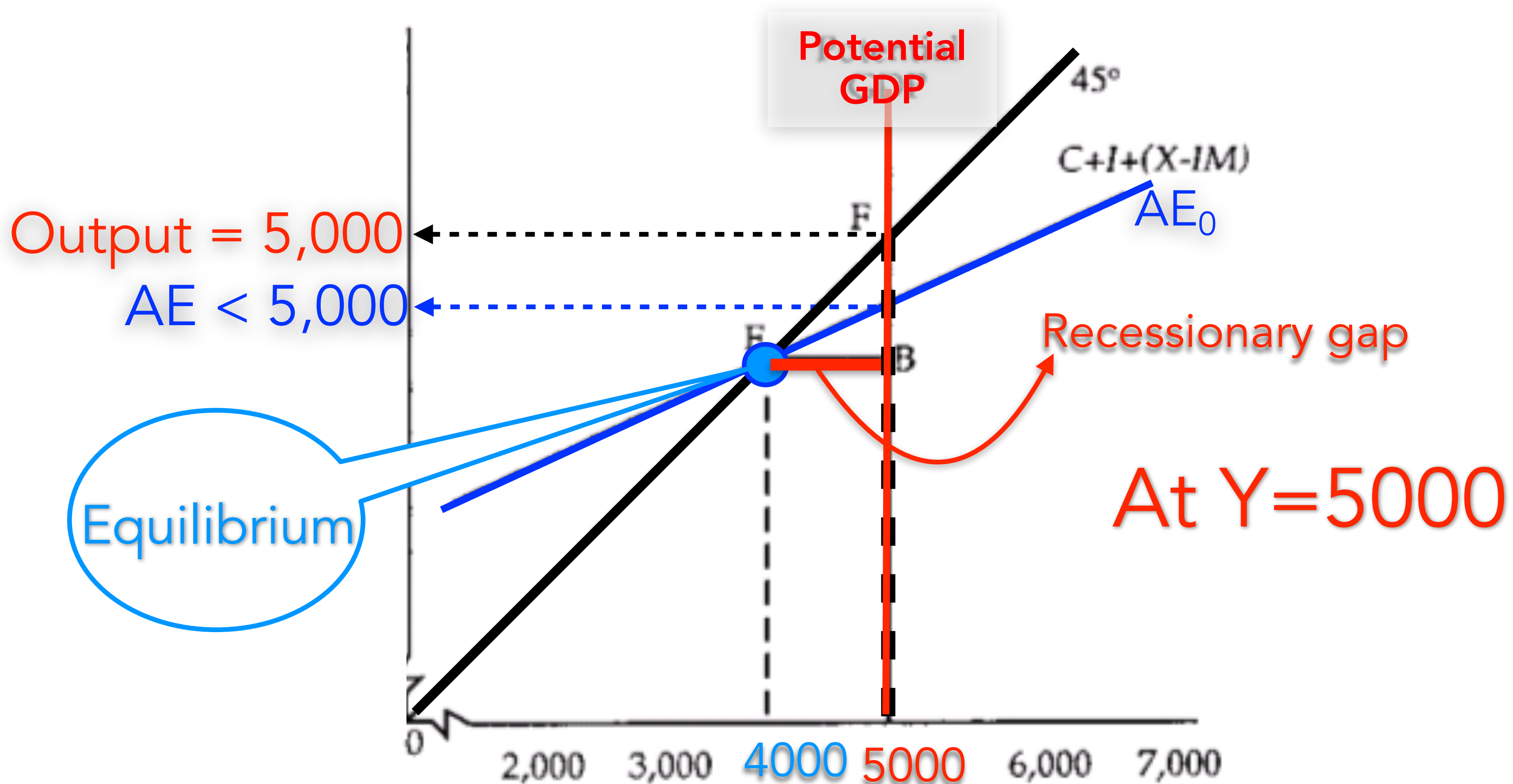
Equilibrium

At Y=50000





**Potential
GDP**



1. Is the economy at equilibrium ? No
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 = $5000 - 4000 = 1000$
6. At equilibrium the economy experiences (unemployment/ labor shortages)

Real Expenditures
(Billions)

