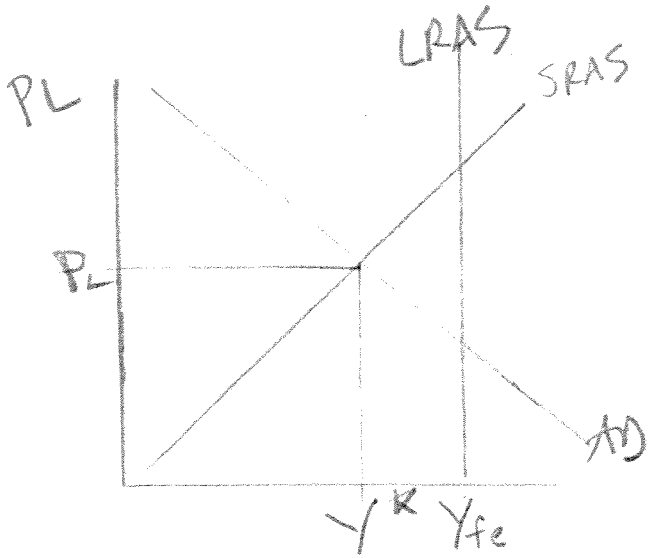


# RECESSION

WE NEED  
EXPANSIONARY  
POLICY !!

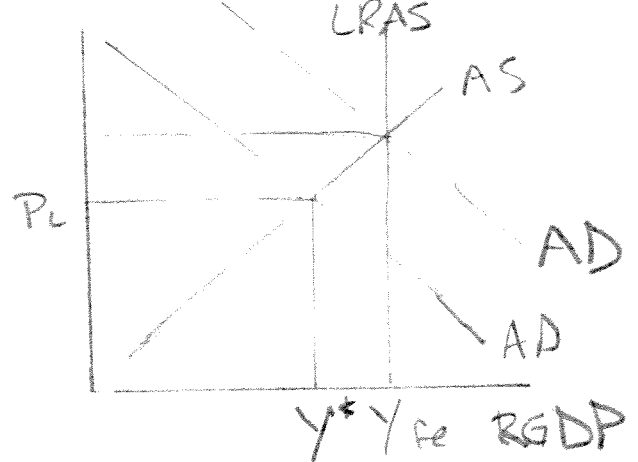
AD/AS - THE GAP



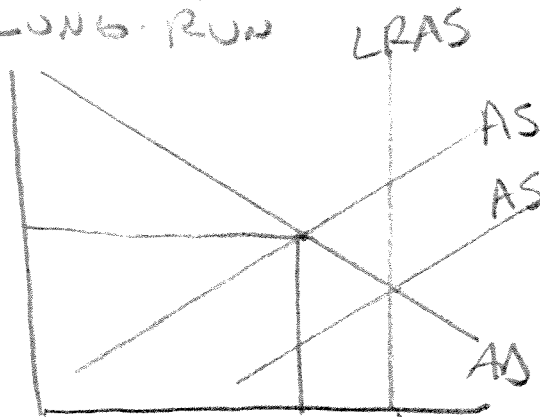
FISCAL POLICY

- ① ↓ TAXES
- ② ↑ GOVERNMENT

EFFECT ON AD/AS



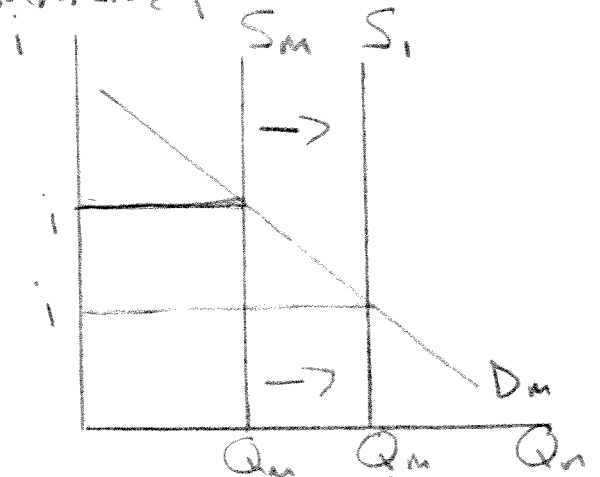
NO POLICY!! ADJUSTMENT  
TO LONG-RUN



WAGES ↓ Yr Yfe

MONETARY POLICY

MONEY MARKET

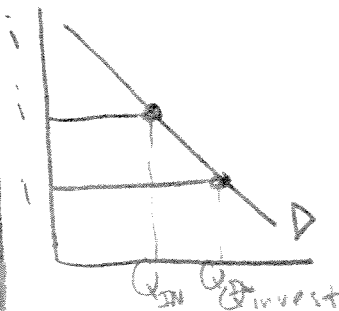


NUMINAL INTEREST RATE (i)

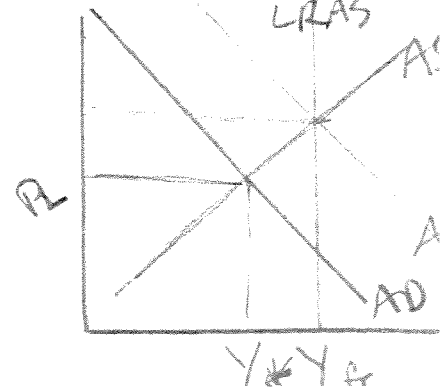
3 MONETARY POLICY OPTIONS

- ① \_\_\_\_\_ BONDS (OPEN MARKET OPERATIONS)
- ② \_\_\_\_\_ RESERVE REQ  
\_\_\_\_\_ MONEY MULT
- ③ \_\_\_\_\_ DISCOUNT RATE

EFFECT ON I



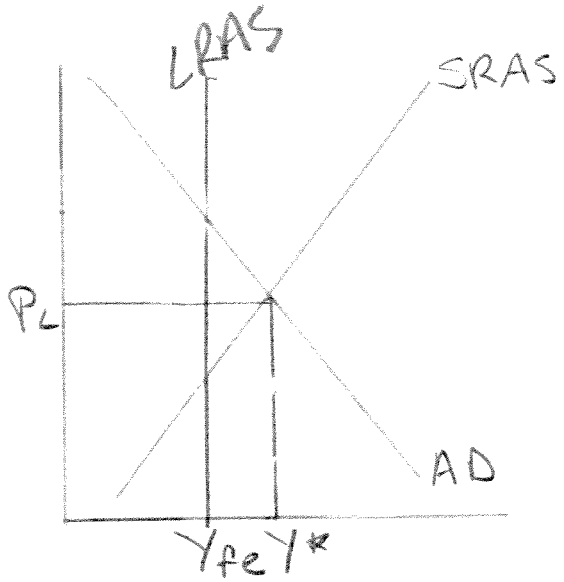
CLOSE THE GAP! AD/AS



WAGES ↑  
CONTRACTORY POLICY

# INFLATION

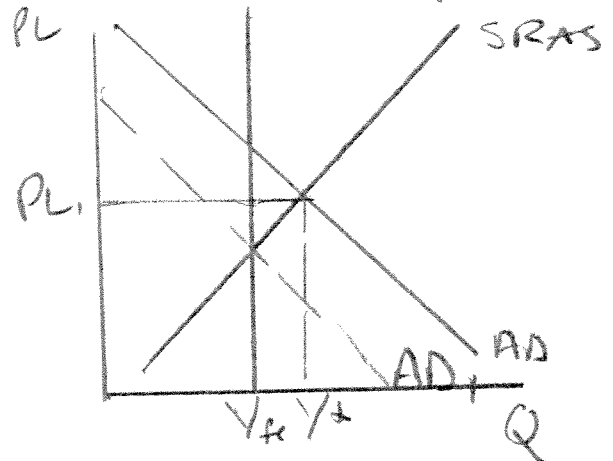
## AD/AS - THE GAP



## FISCAL POLICY

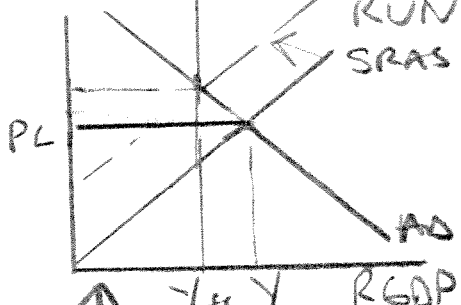
- ① ↑ TAXES
- ② ↓ GOVERNMENT SPENDING

## EFFECT ON AD/AS



NO POLICY!!

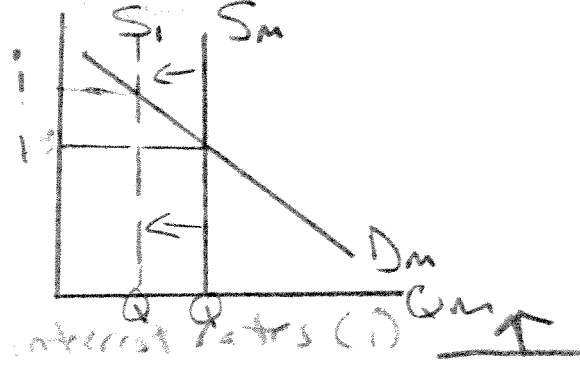
ADJUSTMENT TO LONG-RUN



WAGES ↑  $Y_{fe}$  RGDP

## MONETARY POLICY

### MONEY MARKET

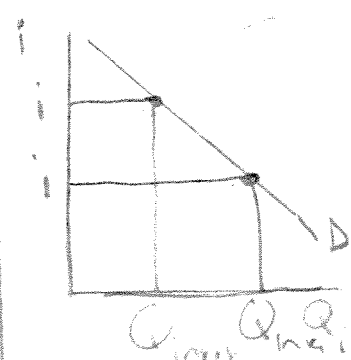


Nominal interest rates (i) ↑

## 3 MONETARY POLICY OPTIONS

- ① \_\_\_\_\_ BONDS (OPEN MARKET OPERATIONS)
- ② \_\_\_\_\_ RESERVE REQ  
\_\_\_\_\_ money multiplier
- ③ \_\_\_\_\_ DISCOUNT RATE

## EFFECT ON INVESTMENT



## CLOSE THE GAP! AD/AS

