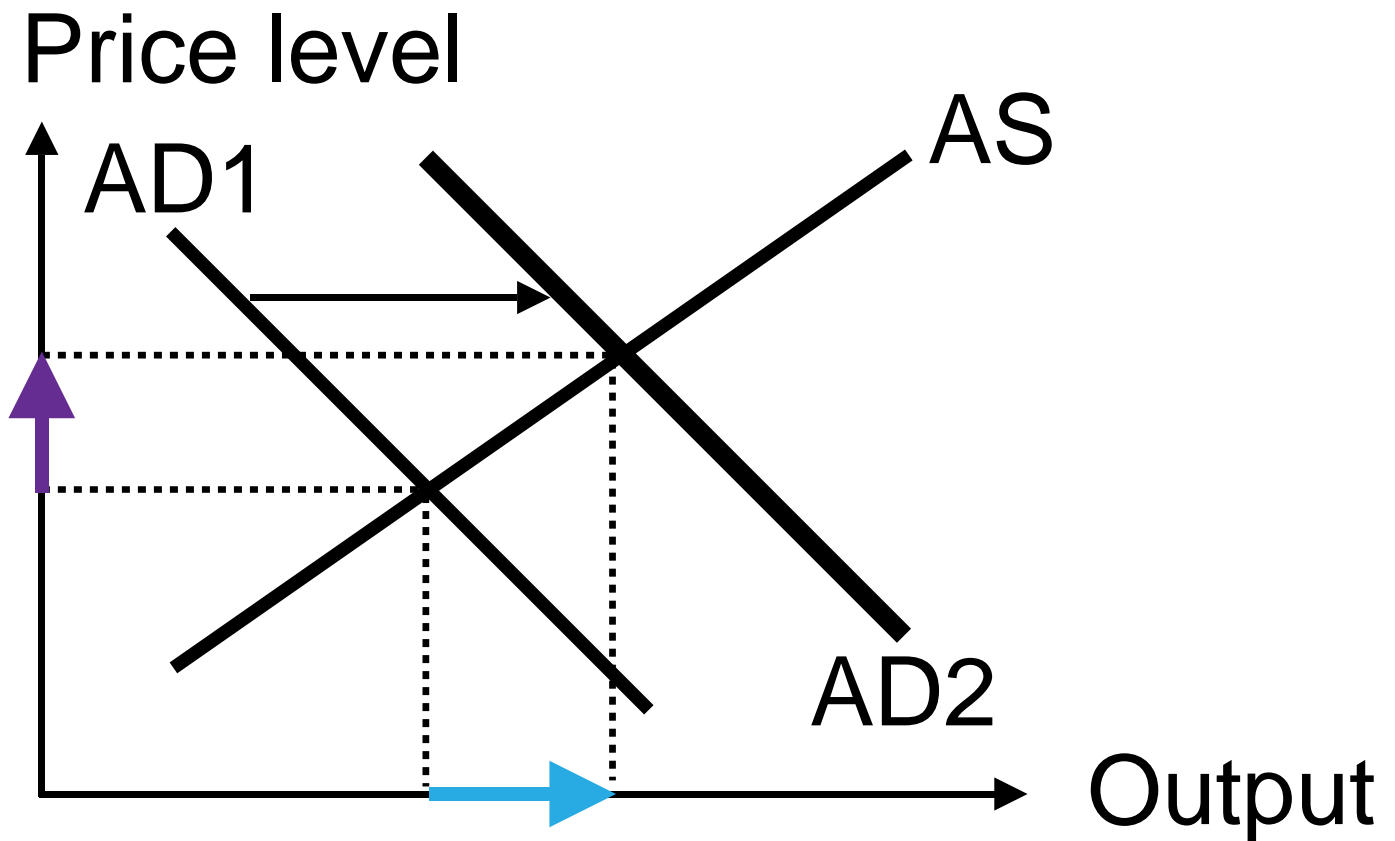


## 14.2 Fiscal policy

A recession is assumed. By using G and T, AD is changed.



- In this case, the fiscal policy is **partially effective**: **Output** and **price level** are increased.
- The fiscal policy is more effective if the AS curve is less steep.