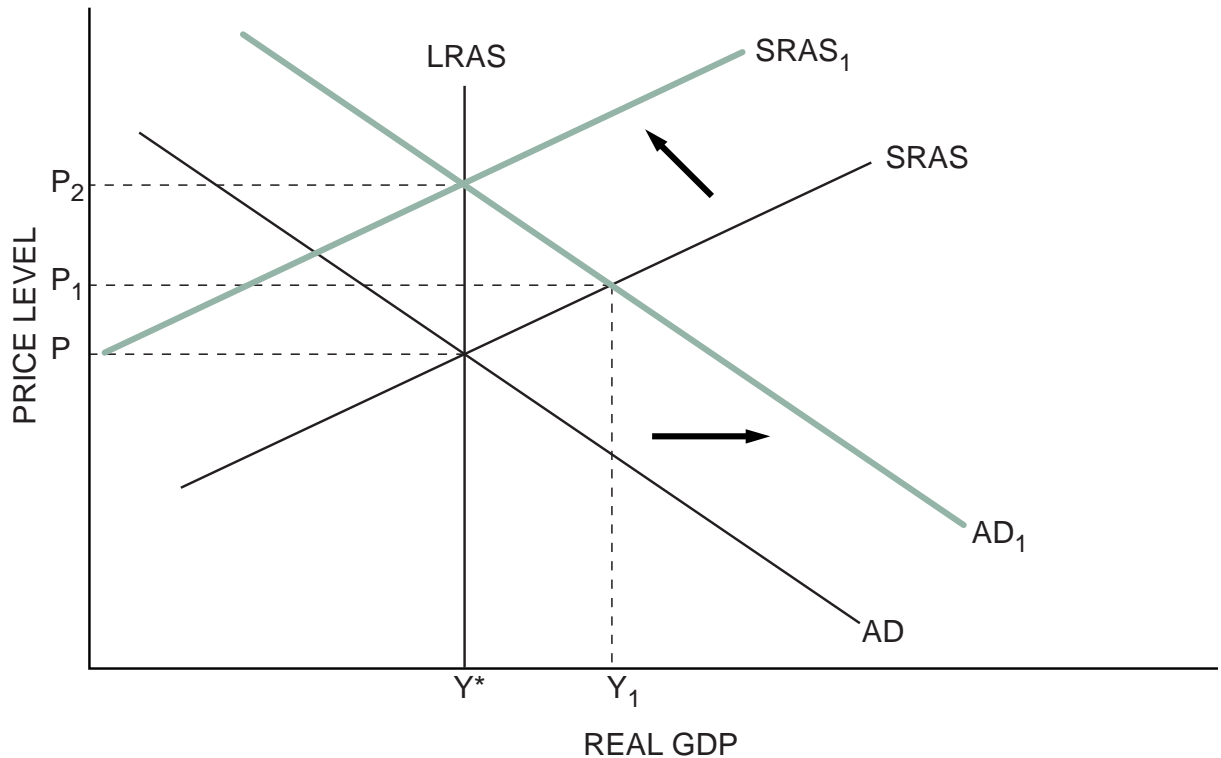


From the Short Run to the Long Run



Initially the economy is at Y^* , potential GDP and P .

Aggregate demand increases from AD to AD_1 and the economy moves to Y_1 and P_1 .

The final equilibrium is Y^* and P_2 .