Solutions

Each answer shows the steps, then the **result**.

2.1

- expansion, peak, contraction (recession), trough

2.2

- the gap when actual real GDP is below potential (full-employment) GDP

2.3

- it falls

3.1 B

3.2 B

3.3

(a)

- a recessionary gap

(b)

- unemployment

(c)

- contraction / recession