

taxes.

3 Decrease in Govt, Transfer payments:
Govt transfer payment like unemployment allowance etc are also helpful to reduce aggregate demand in the economy.

4 Discouraging holding activities
Govt should discourage holding activities to control rising prices during inflationary gap.

5 More Imports:
To meet shortage of aggregate supply govt may allow more imports.

6 Raising Interest Rate:
Govt can try to control inflationary gap by raising interest rate.