





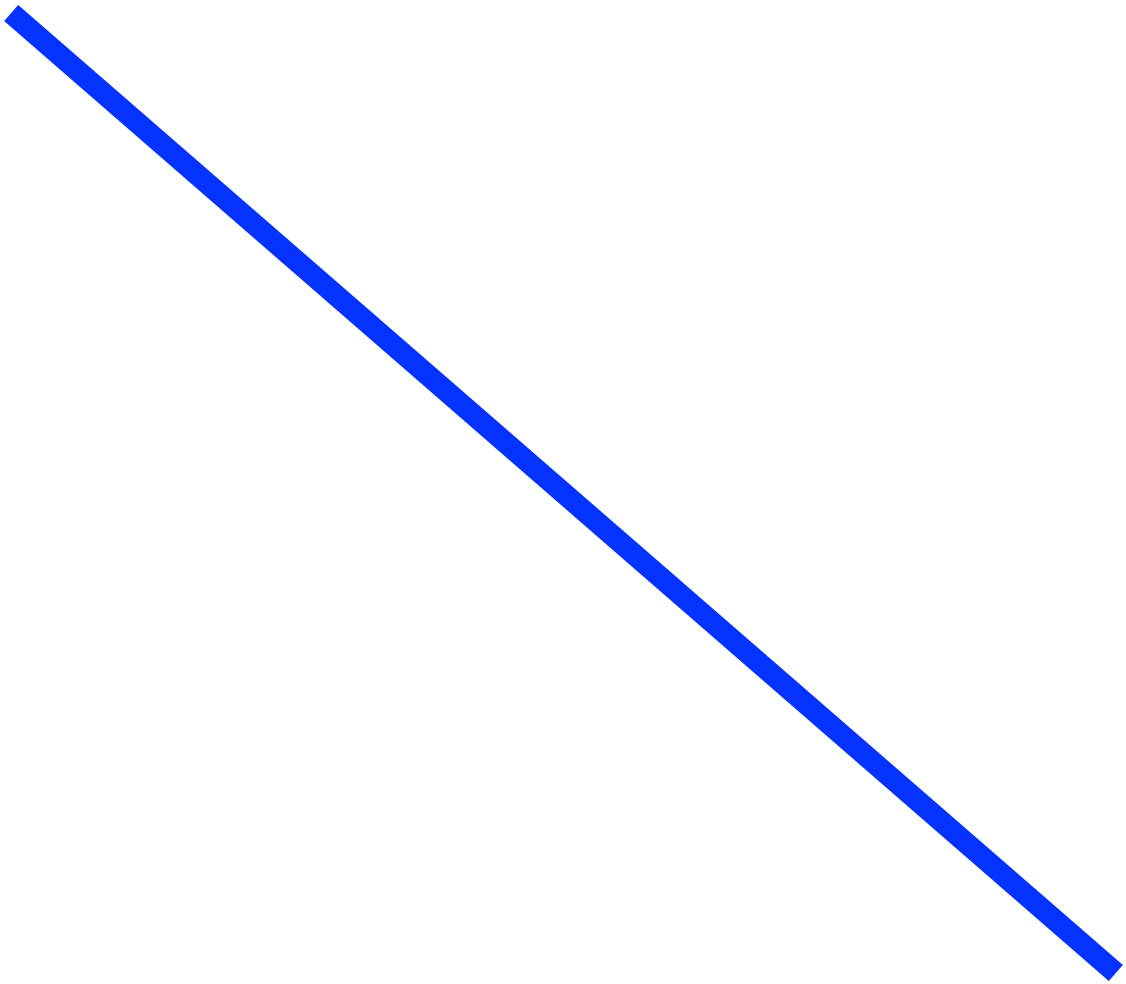
**CPi.**



**CPI<sub>1</sub>**







AD

AS

**Increase Government  
Spending**



**Inflati  
on**

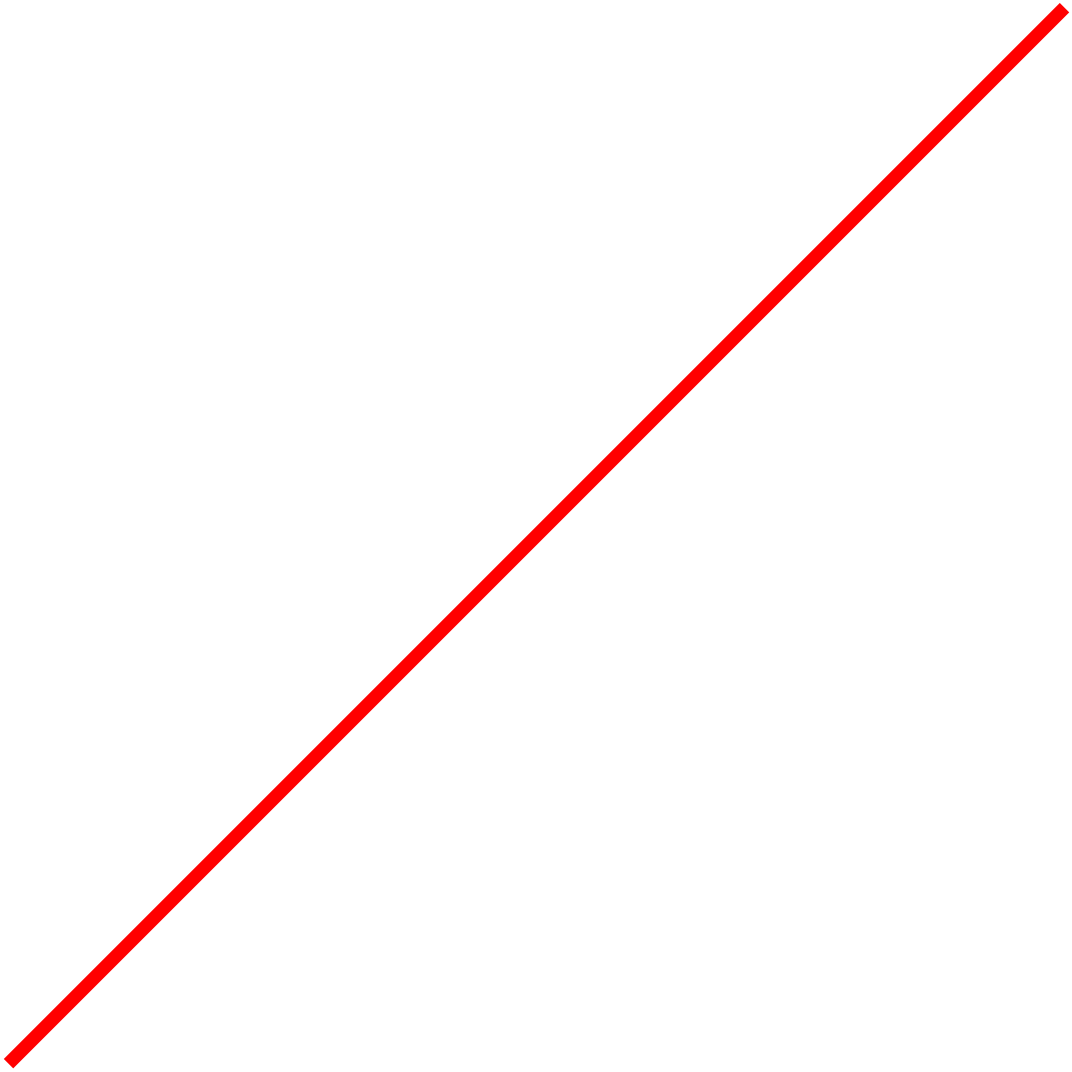
**Inventories**

**Drop, firms**

**increase**

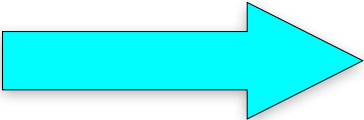
**production and**

**prices**













**GDP**

**Pro**





**Supply** < **Demand**

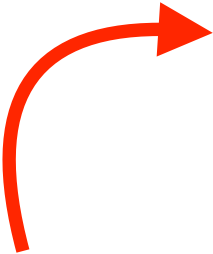


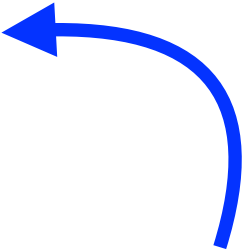
**AD**



**Growth**

Unemployment  
drops





**As prices  
increase,  
Demand  
Drops**

**GDP<sub>1</sub>**

**Decrease Taxes**



**Increase Government  
Spending  
Decrease Taxes**

