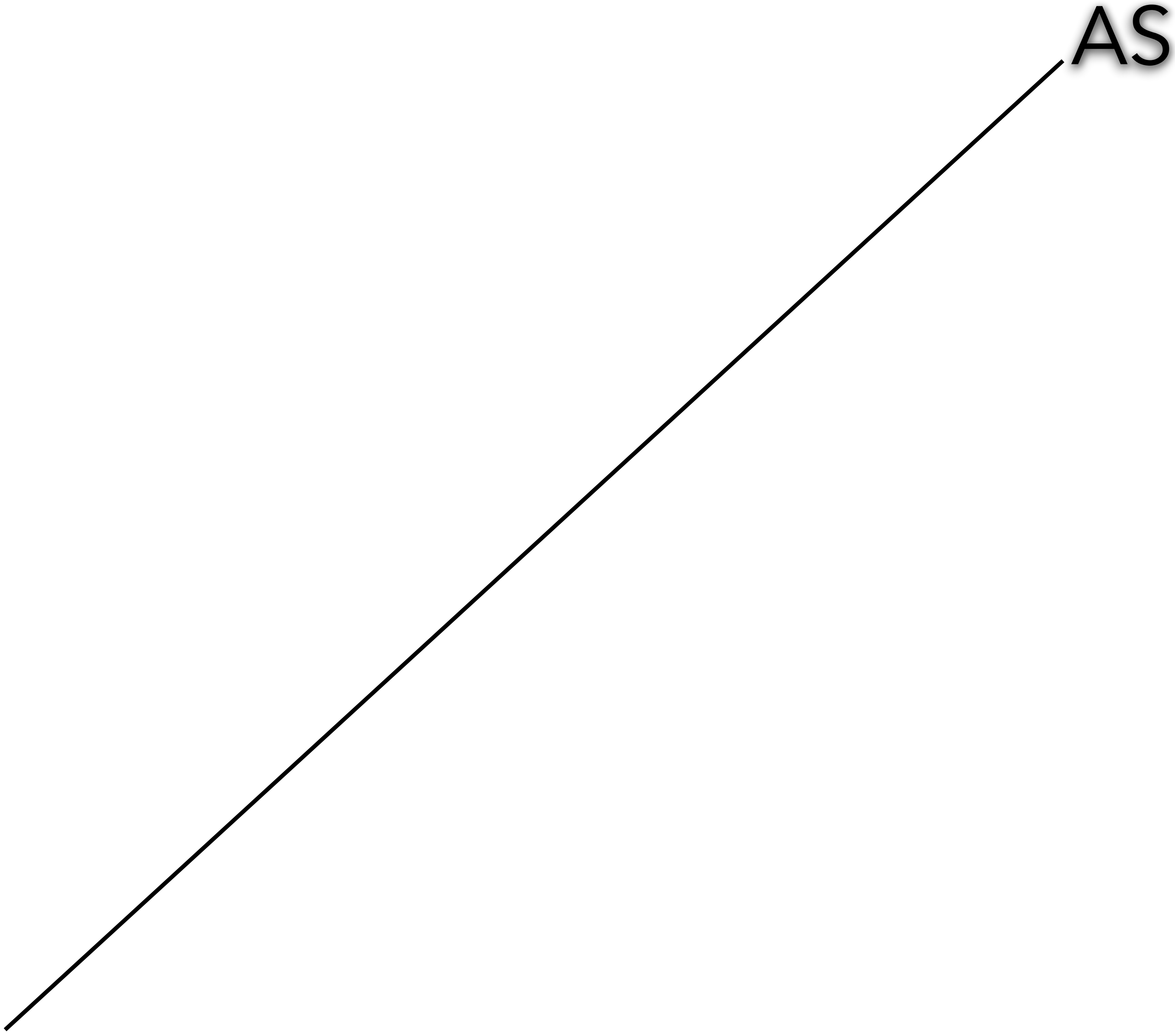
GDP_1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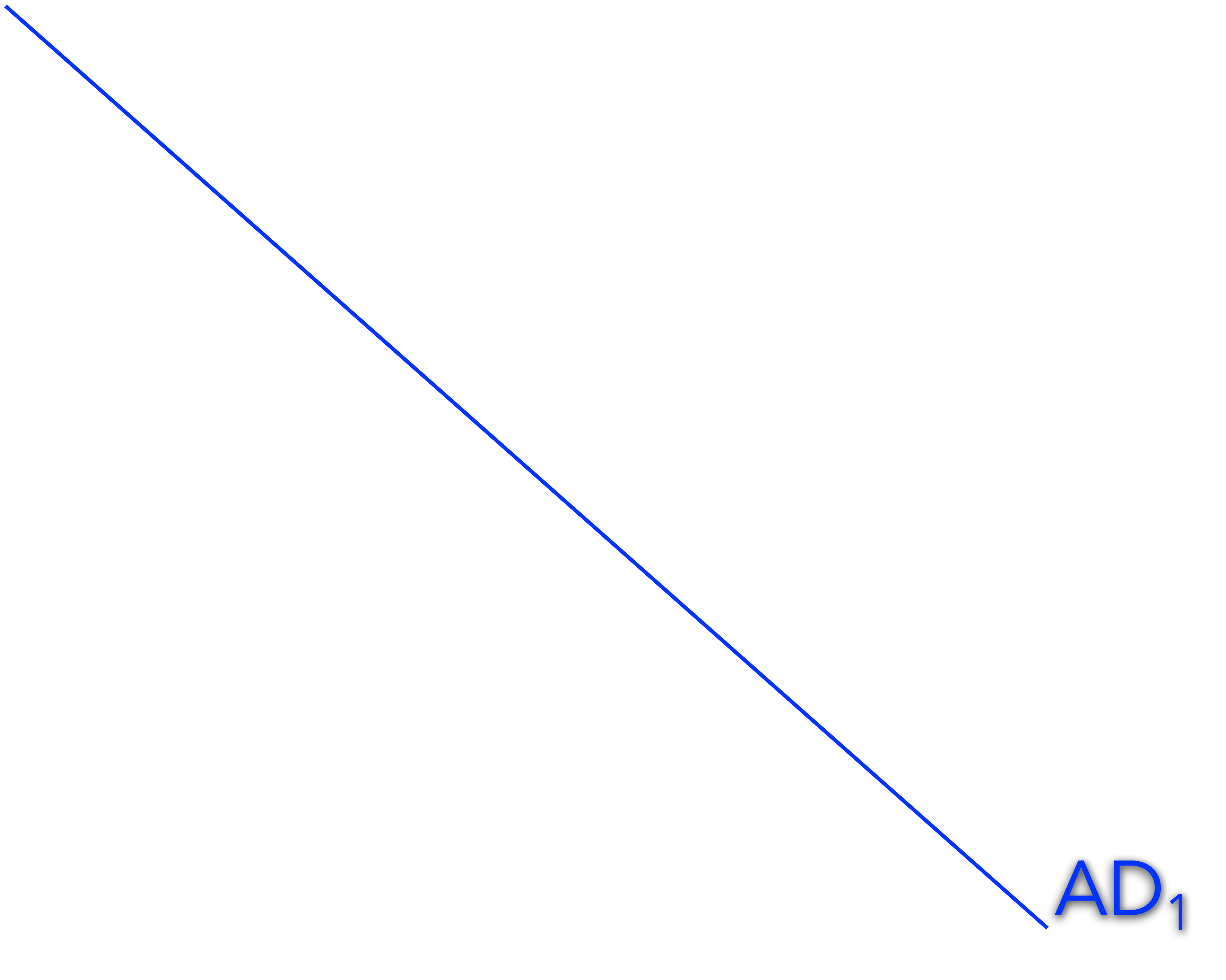
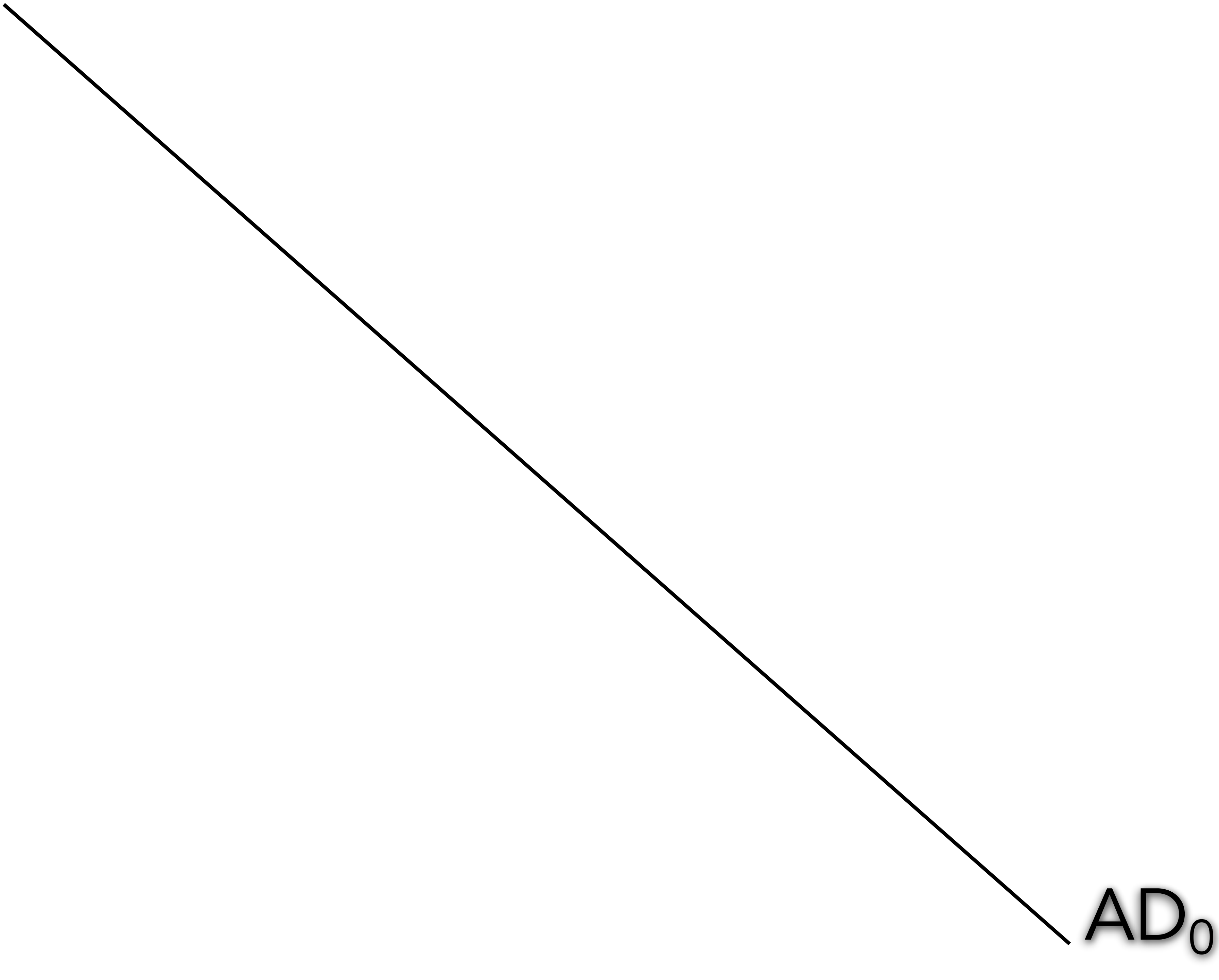
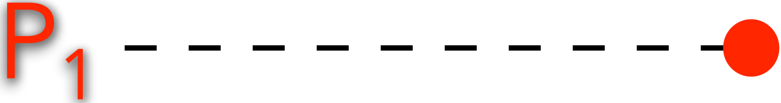
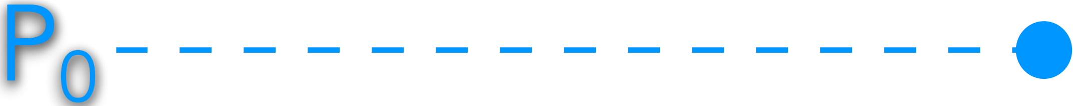

AD_1


AD_0


P1

GDP_0

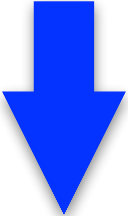
Price Level
(CPI)


P_0

The effect of a sale of bonds by the Fed on the Goods and Services Market

GDP

Fed sells Bonds



Interest rates increase

Investment decrease

Aggregate Demand

decrease

Assume the Goods and Services Market starts at equilibrium

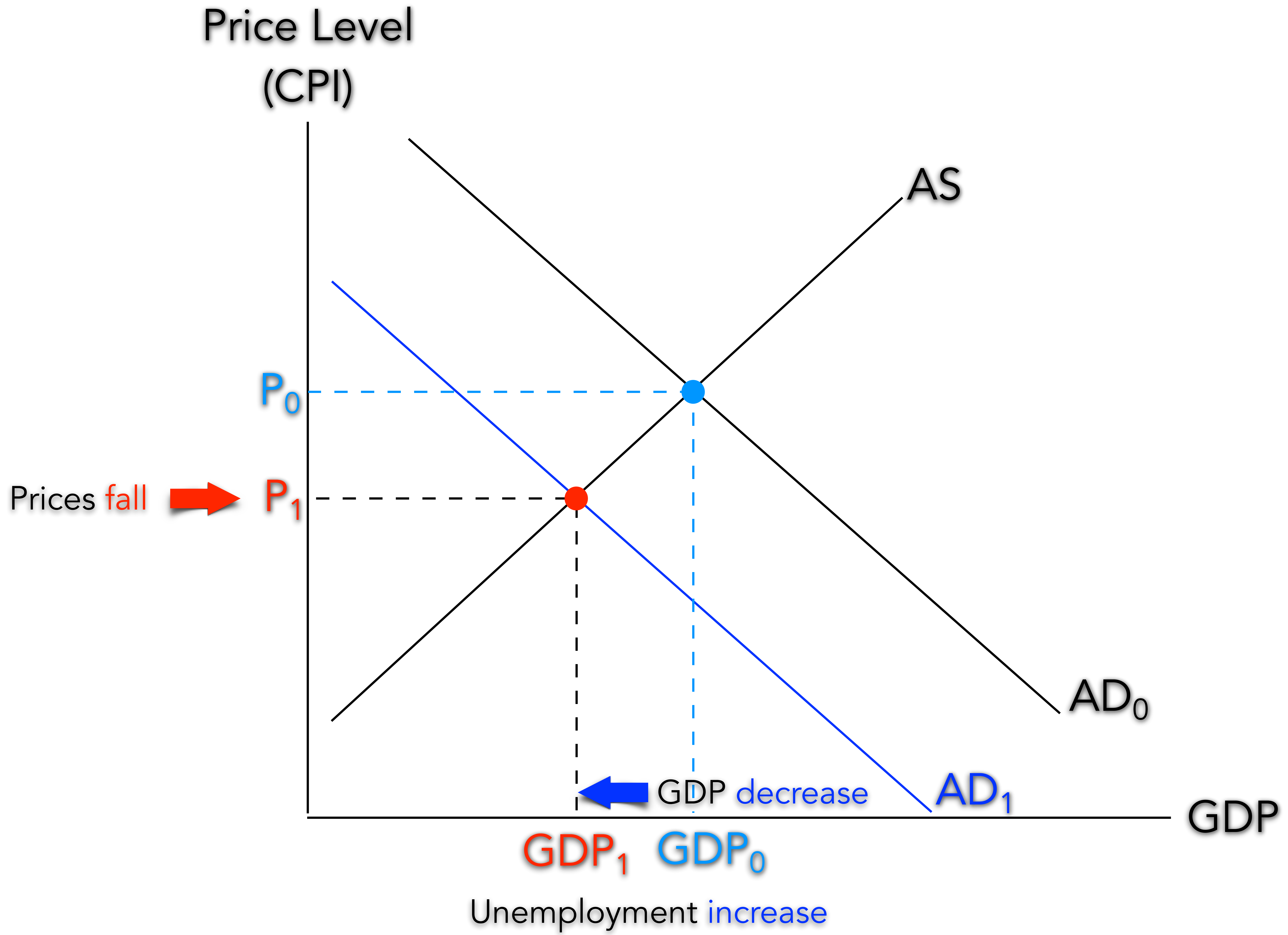
A leftward shift in Aggregate Demand

Prices fall

GDP decrease

Unemployment increase

The effect of a sale of bonds by the Fed on the Goods and Services Market

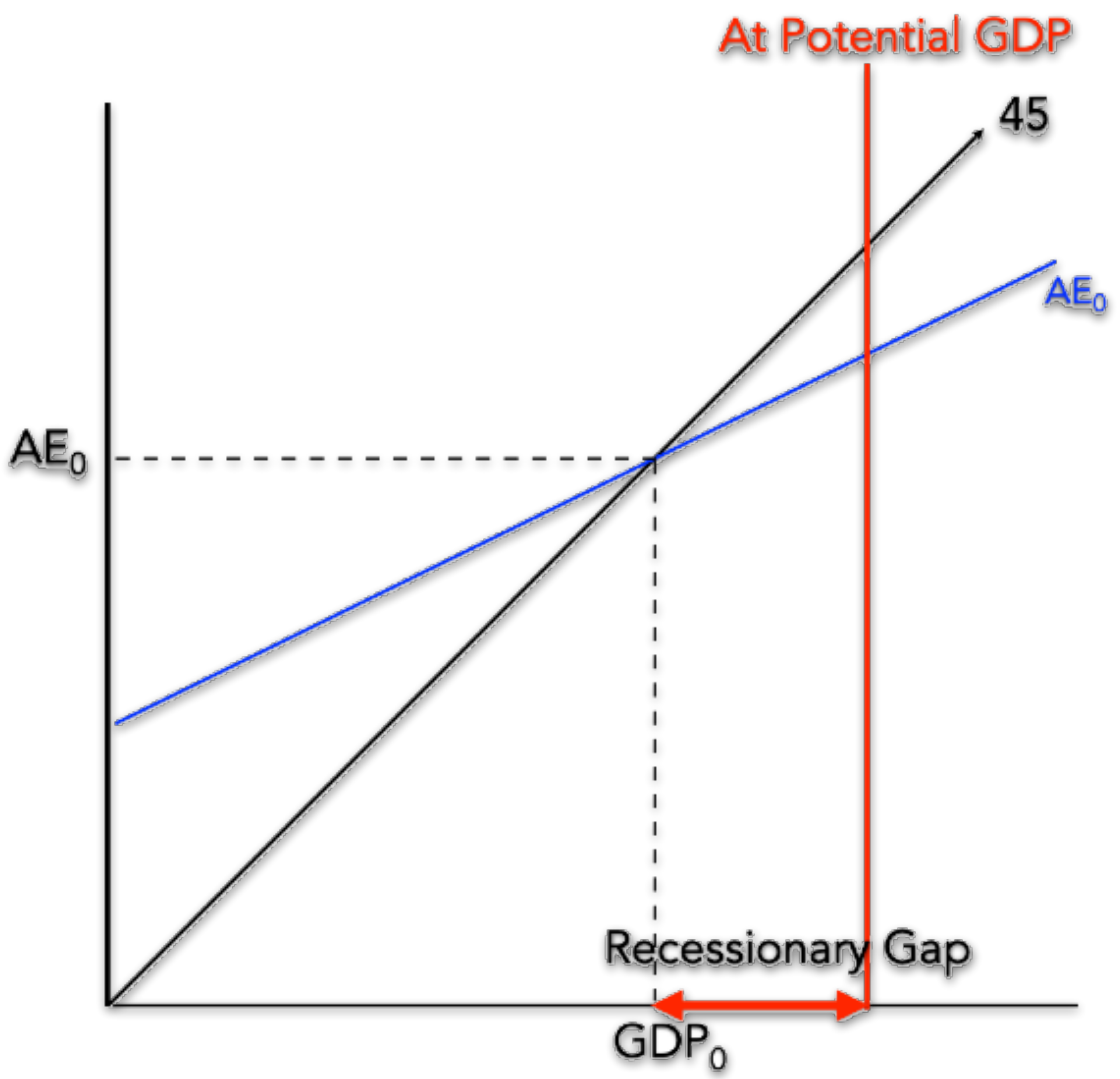


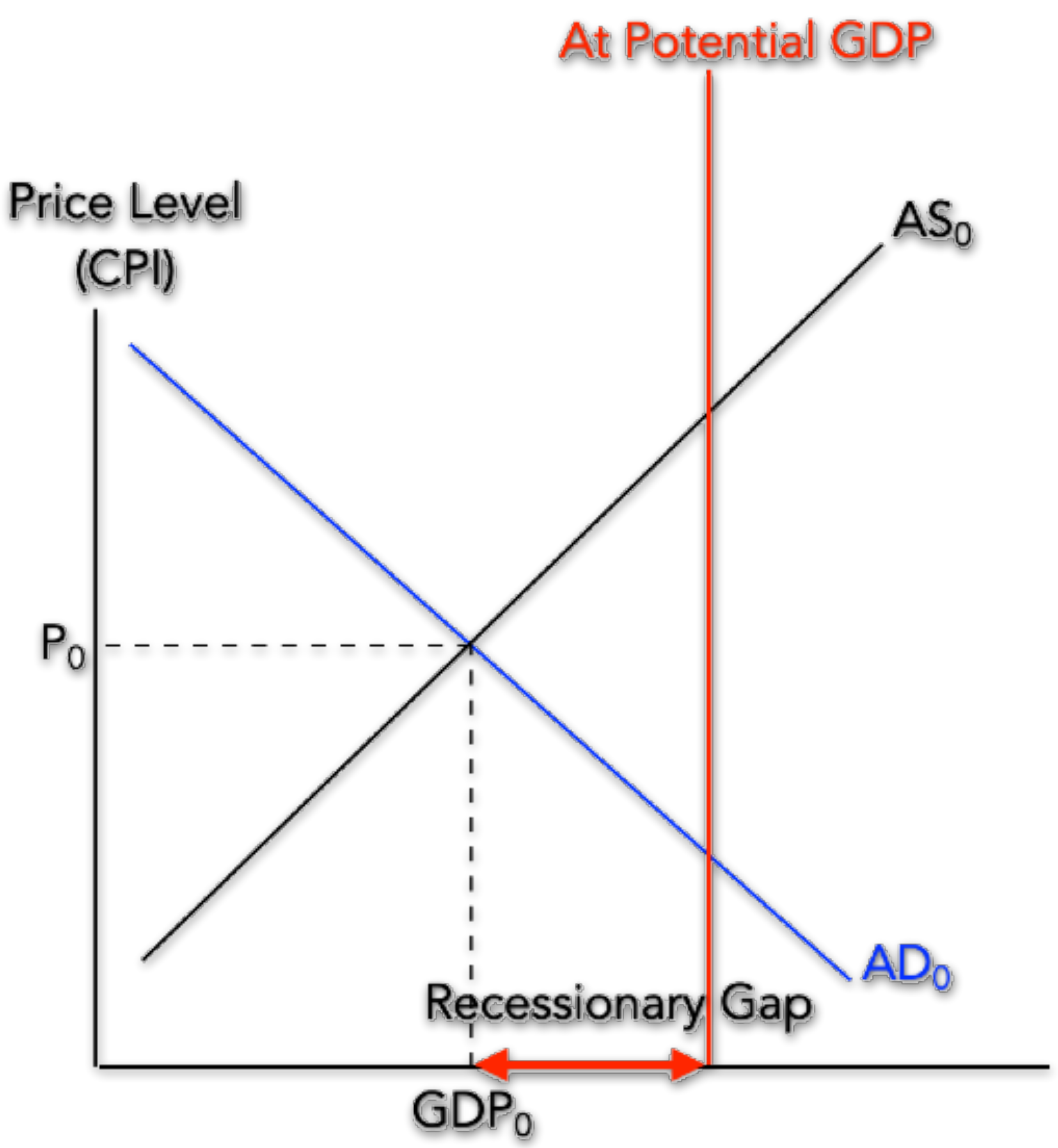
Fed sells Bonds

Interest rates increase

Investment decrease

Aggregate Demand decrease


At Potential GDP
45
AE_0
AE_0
Recessionary Gap
GDP_0


At Potential GDP
Price Level (CPI)
AS_0
P_0
AD_0
Recessionary Gap
GDP_0