No Increase in GDP

AD

0

Po

Yo

AD1

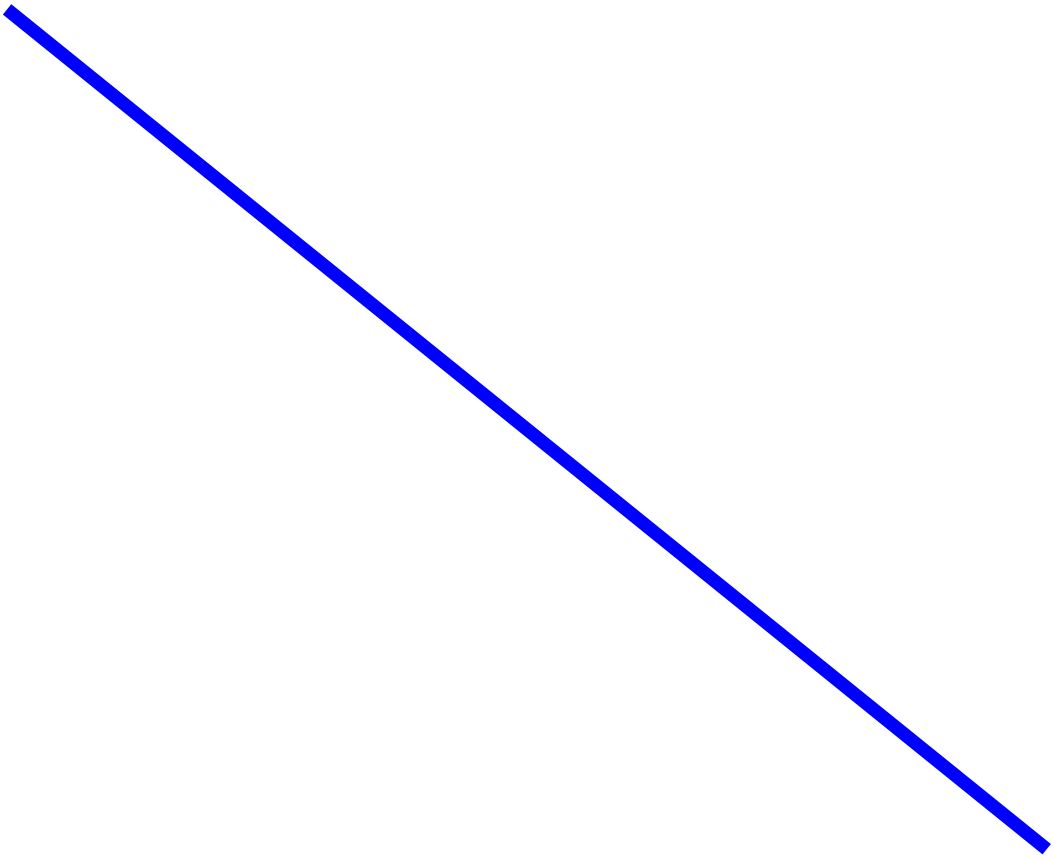
AS1

P1

AD > AS,

inventories

drop

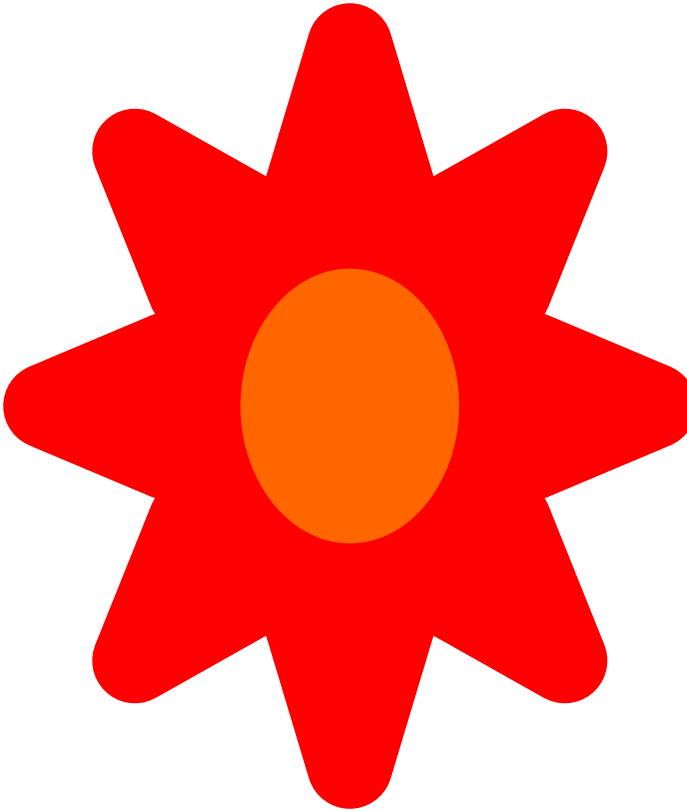


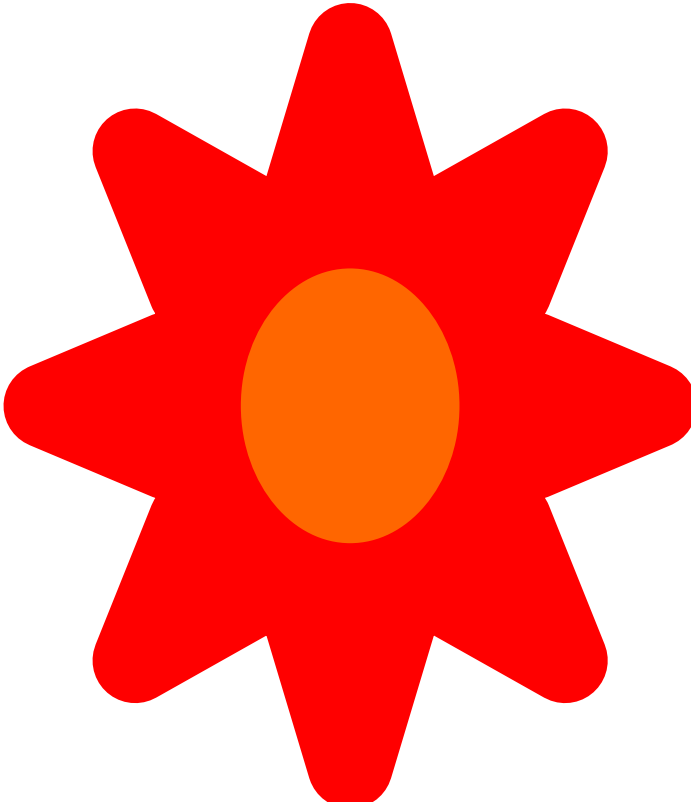
7000

No multiplier effect

With NO excess capacity and ZERO unemployment

Firms cannot increase production but increase prices





The shift in AD is the same as the increase in Equilibrium output

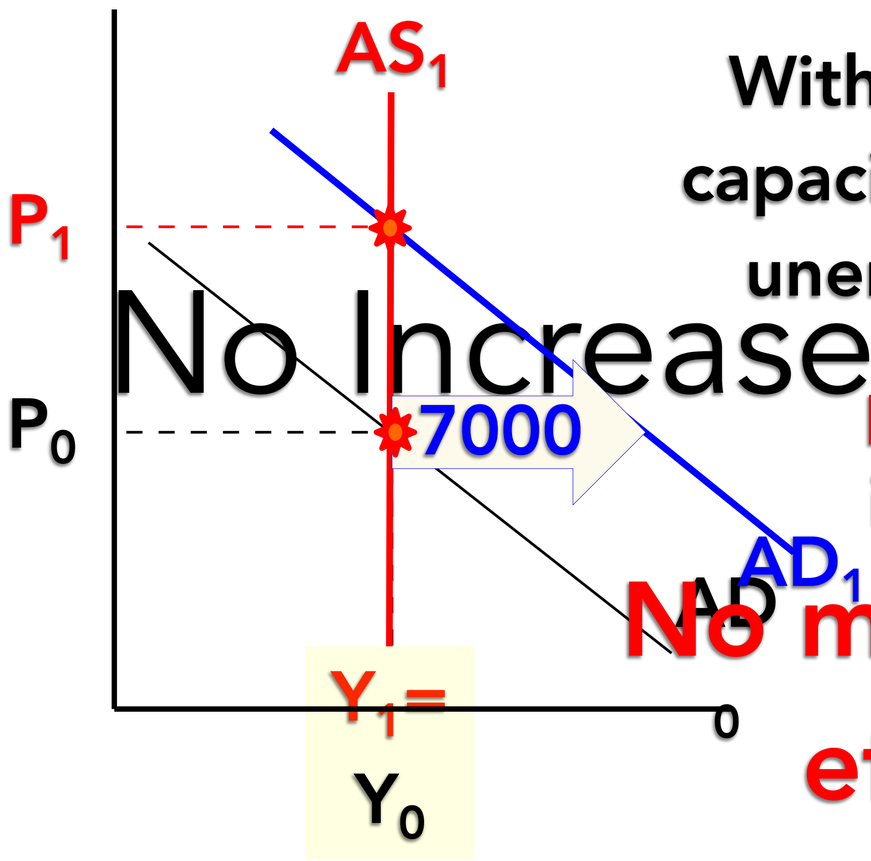
AS is vertical

$$Y_1 =$$

$$Y_0$$

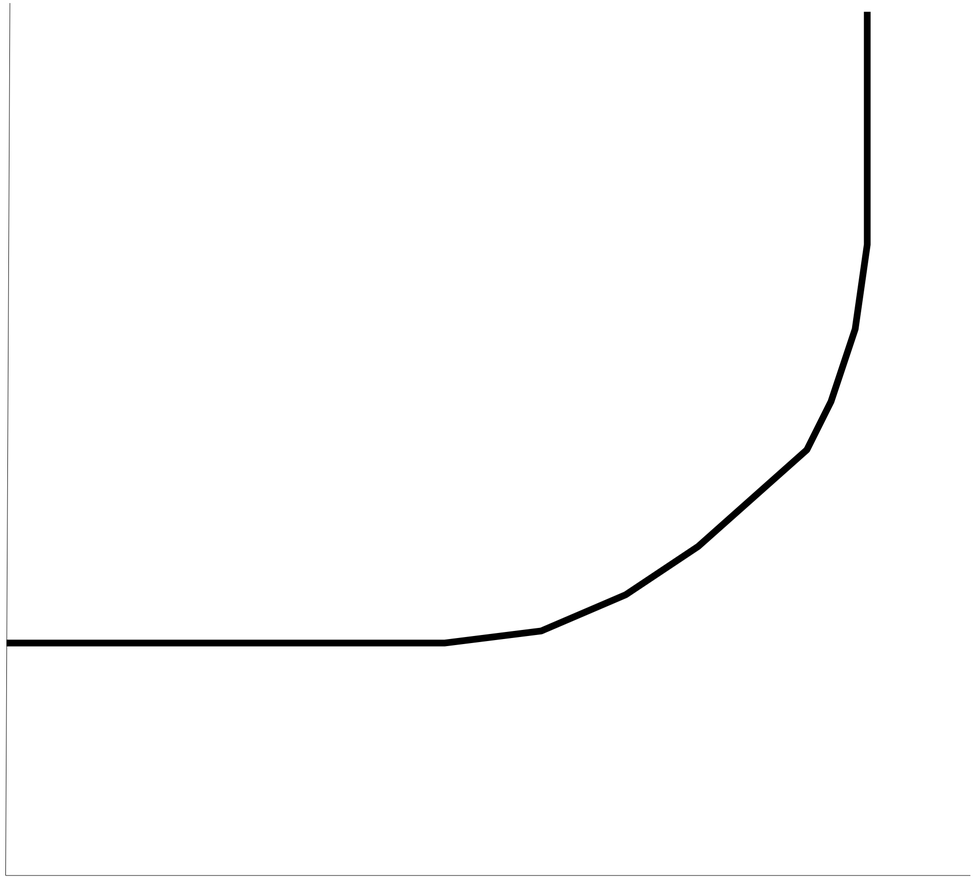
No Increase in GDP

AS is vertical



AD > AS, inventories drop

With NO excess capacity and ZERO unemployment

Firms cannot increase production but increase prices

No multiplier effect