

**AD**

**1**

**Price level**

**PO**

Y

1



**Y**

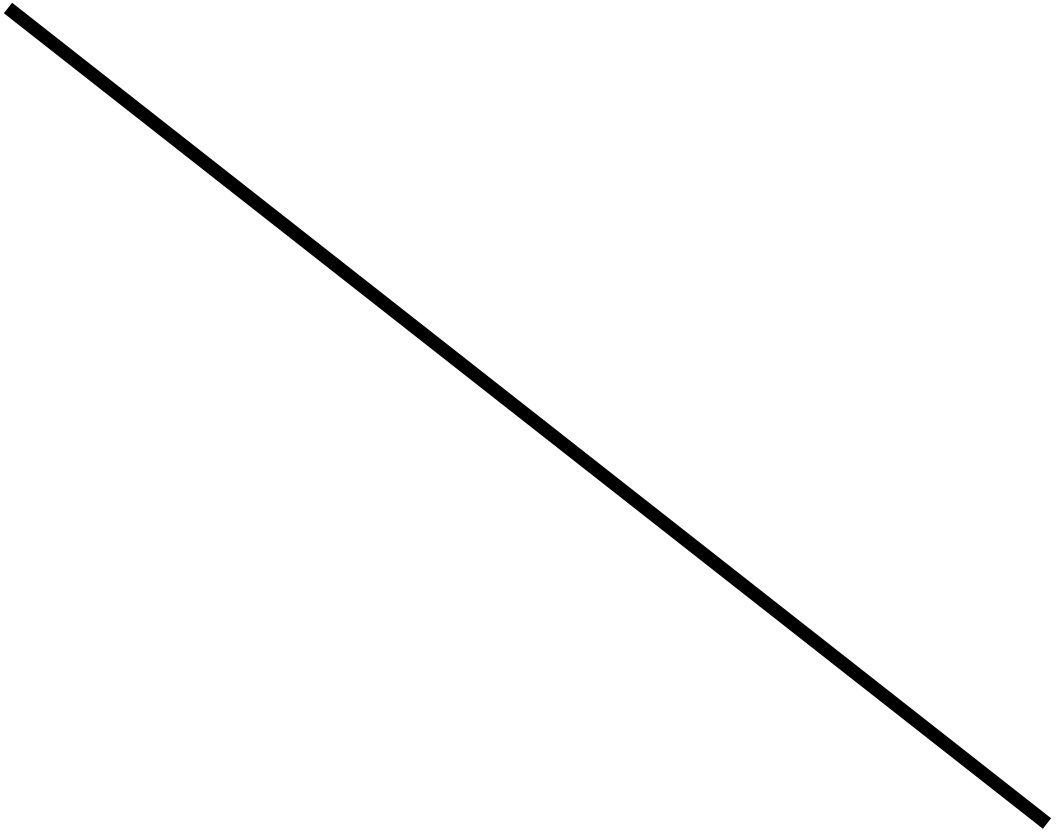
**O**





**AD**

**O**



**AS**

---

**0**

**AD > AS,**

**inventories fall**

**NY = 1000**



**Output increase by FULL multiplier  
amount**

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

**Firms increase  
output but DO  
NOT increase  
prices:  
AS is Horizontal**

**If there is excess  
capacity and massive  
Unemployment**



**1,000**



The shift in AD is the same as the increase in

Equilibrium output:

$AD > AS$ ,  
If there is excess  
inventory, firms increase  
capacity and massive  
output but DO  
Unemployment  
NOT increase

