

AD

1

Price level

PO

Y

1

Y

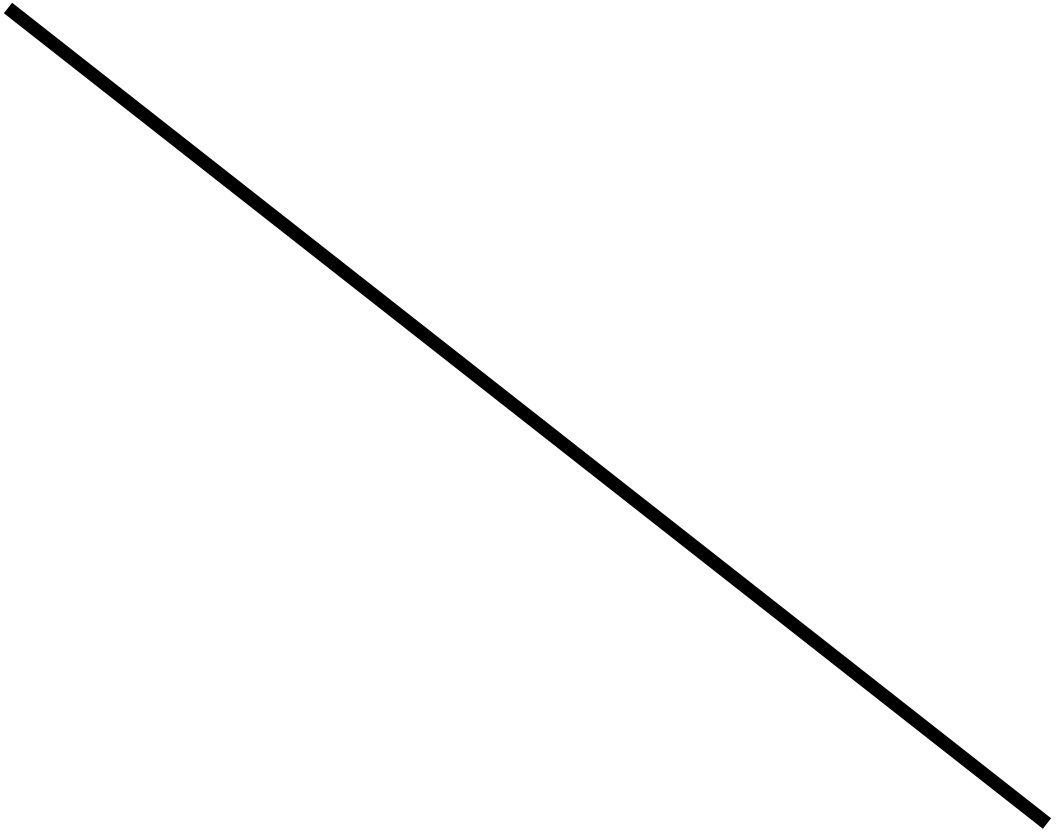
O





AD

O



AS

0

NY = 20,000

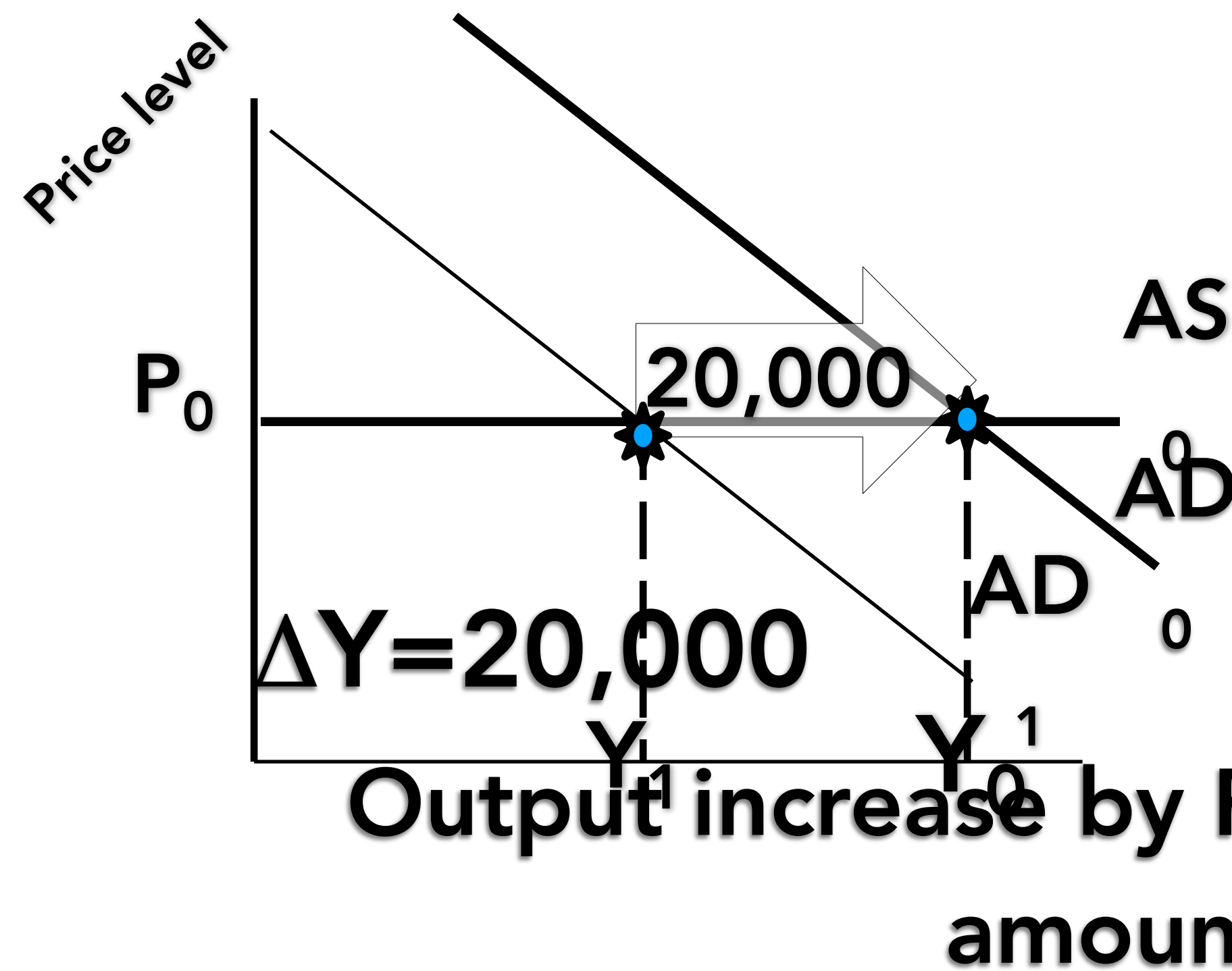
**Output increase by FULL multiplier
amount**

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



20,000





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

