



The increase in GDP  
**SMALLER** than Shift in AD



**AD**

**O**

**Price level**

**P**

**O**

**AD**

**0**

AD

1









**AD<sub>1</sub>**

AS

1



Y

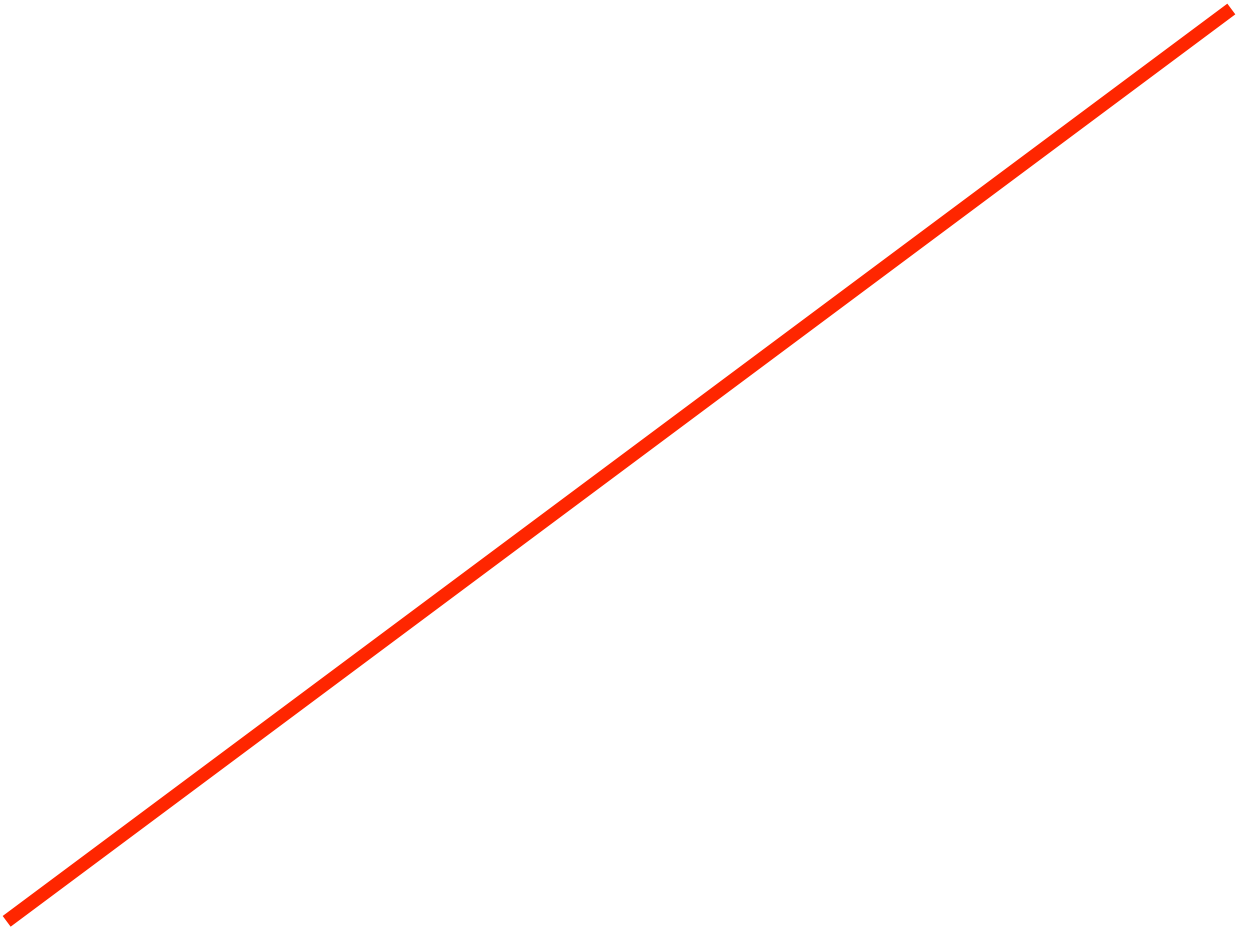
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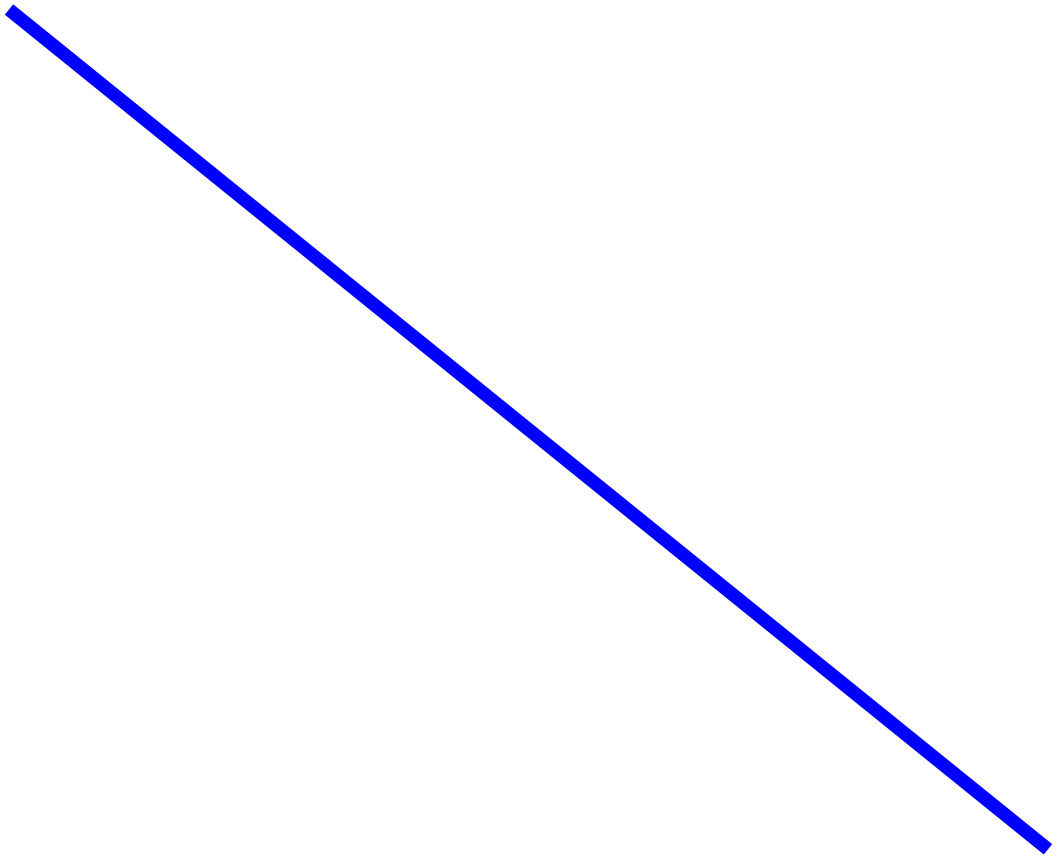


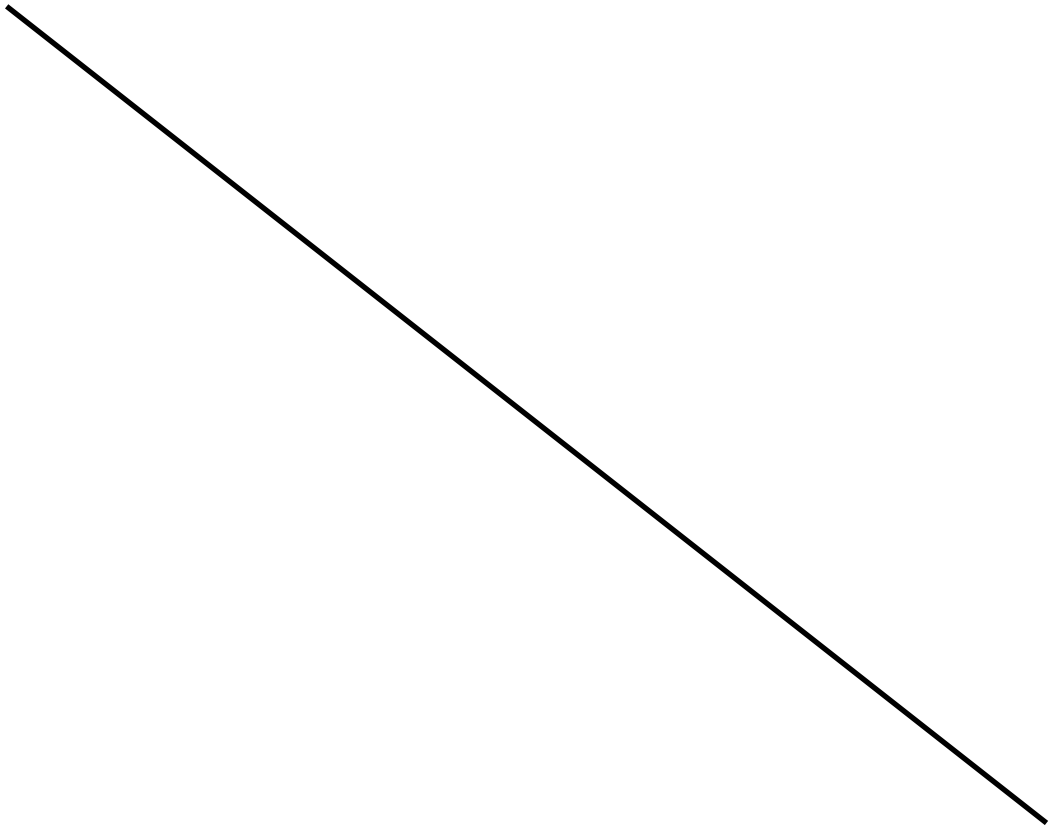


P

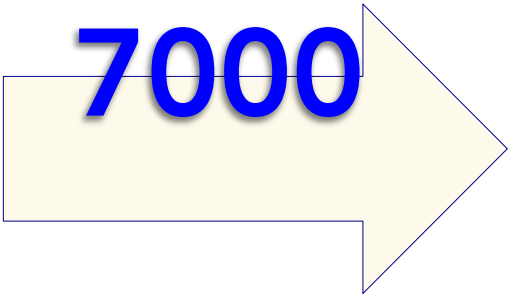
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**7000**



Output increase by **LESS** than multiplier

amount: **Inflation reduces the multiplier**

**AD > AS**

**inventories**

**drop**

**Firms**

**increase both  
production  
and prices**



With **some** excess  
capacity and **low**  
unemployment





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

**Y  
O**

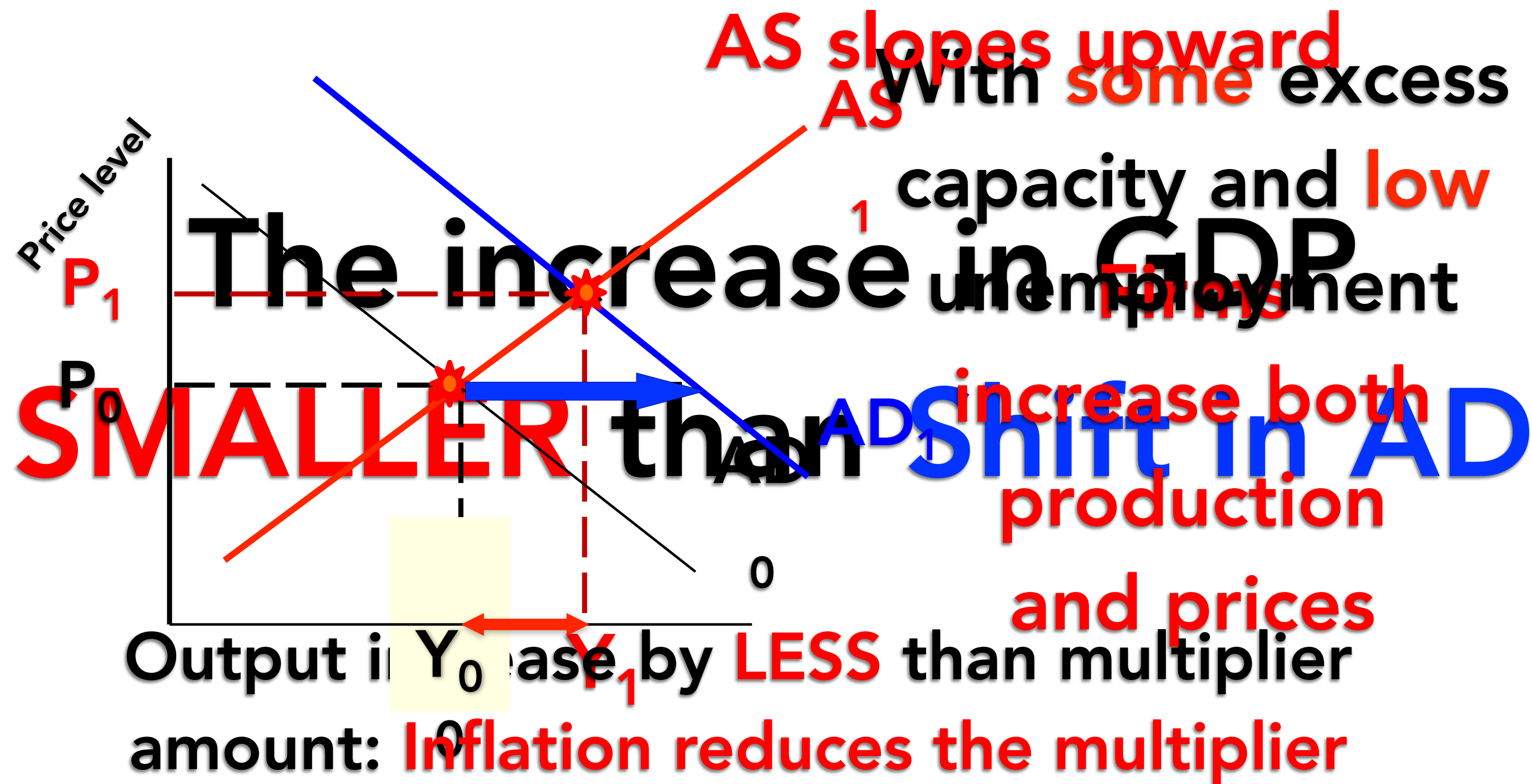


AS slopes upward









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

