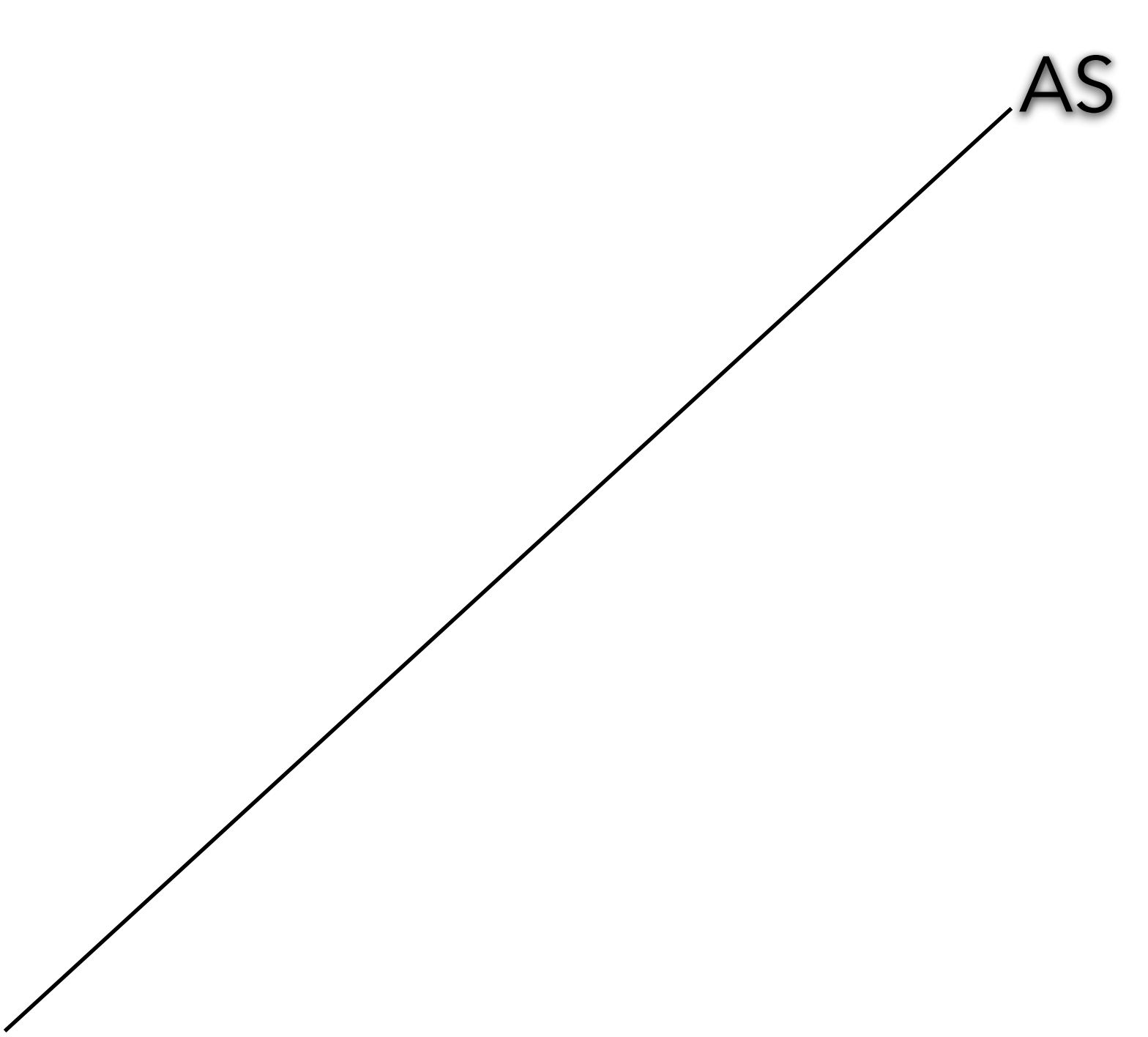
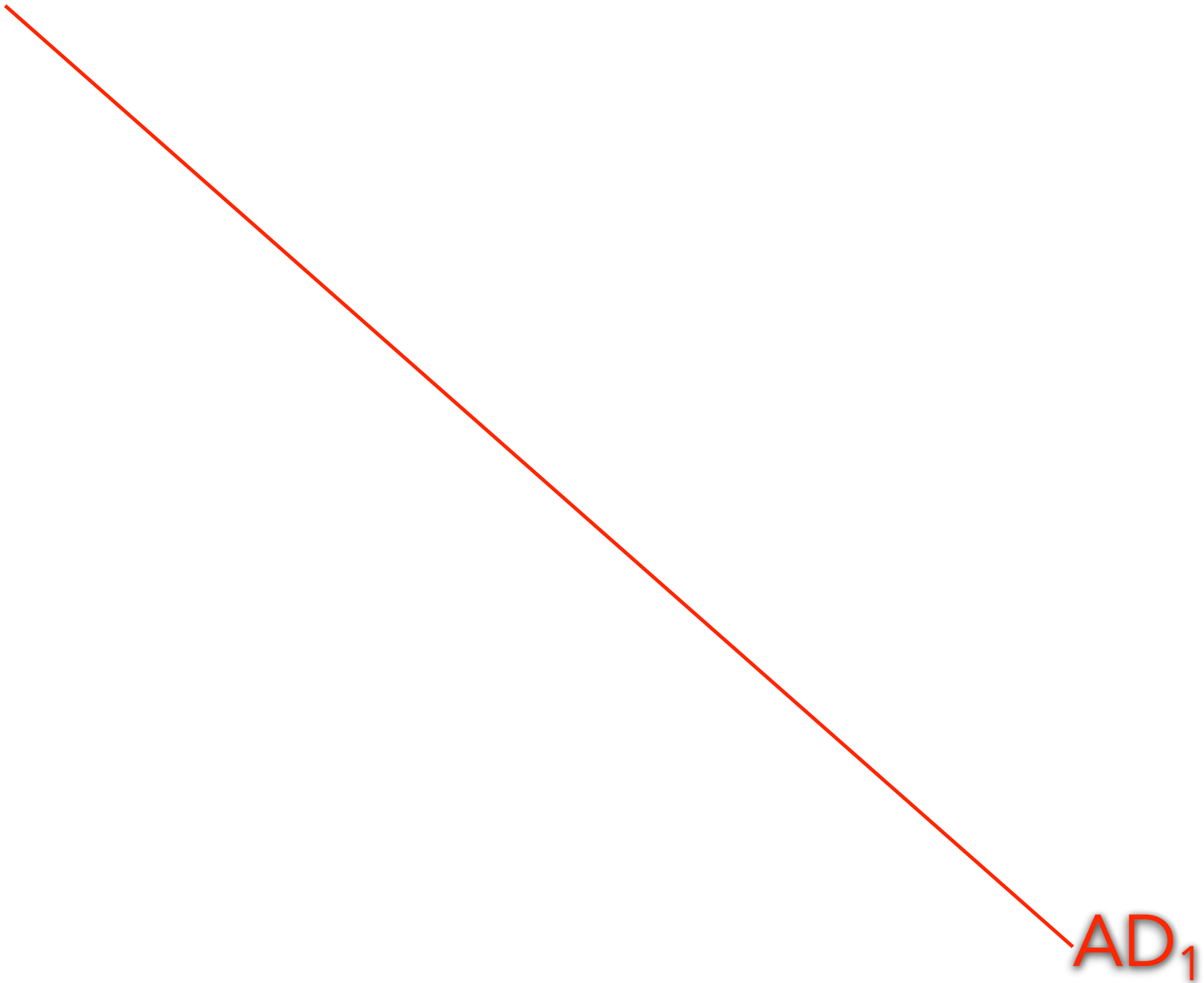
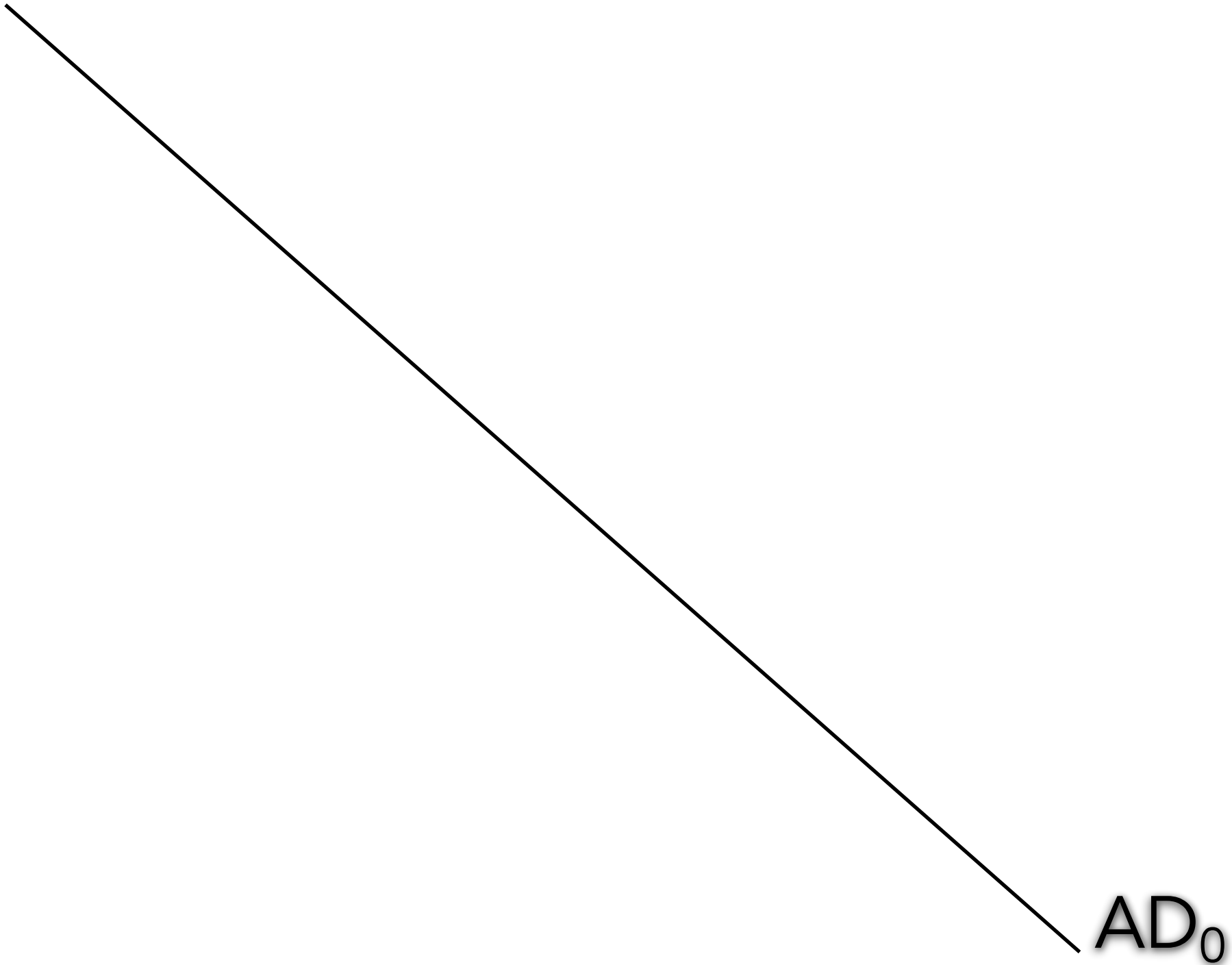


GDP₁







P_1

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-



GDP₀

Price Level
(CPI)



P_0

-

-

-

-

-

-

-

-

-

-

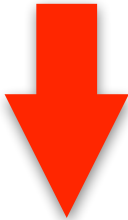
-



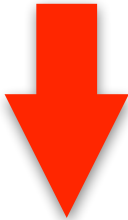
The effect of a purchase of bonds by the Fed
on the Goods and Services Market

GDP

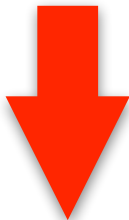
Feedbuys Bonds



Interest rates decrease



Investment **increase**



Aggregate Demand
increase

Assume the Goods and
Services Market starts at 
equilibrium



A rightward shift in
Aggregate Demand

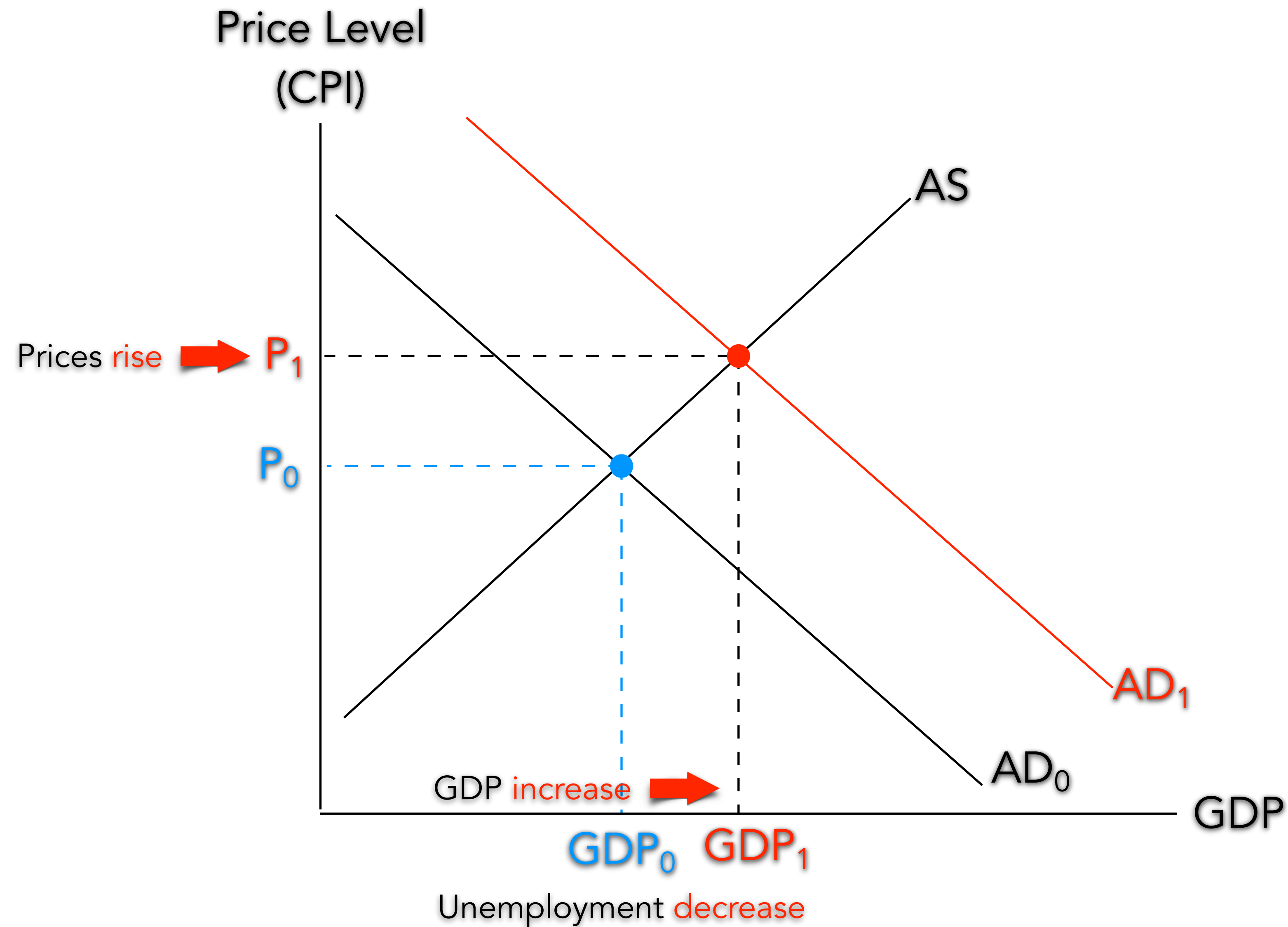
Prices rise 

GDP increase



Unemployment decrease

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



Fed **buys** Bonds



Interest rates **decrease**



Investment **increase**



Aggregate Demand
increase