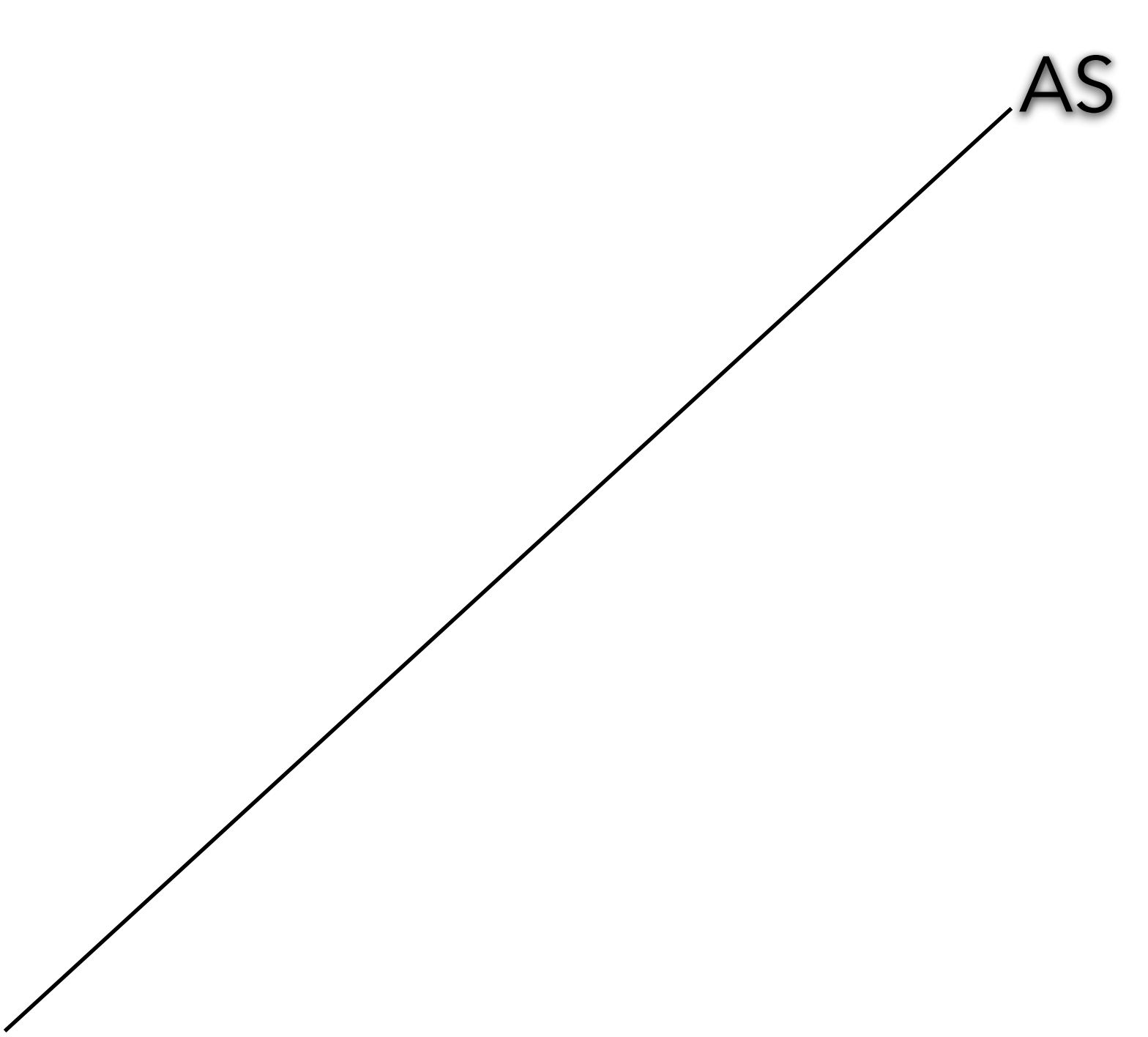
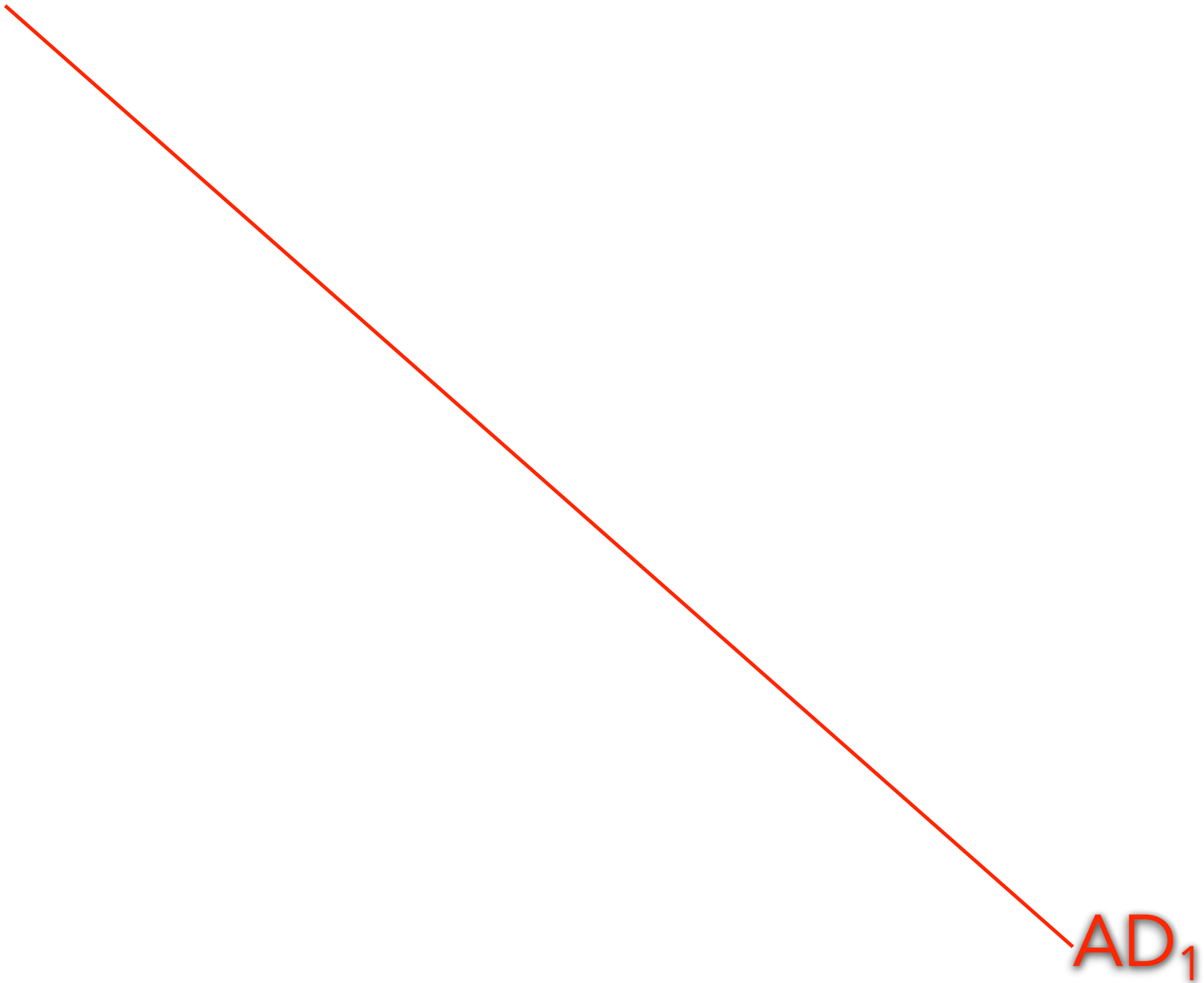
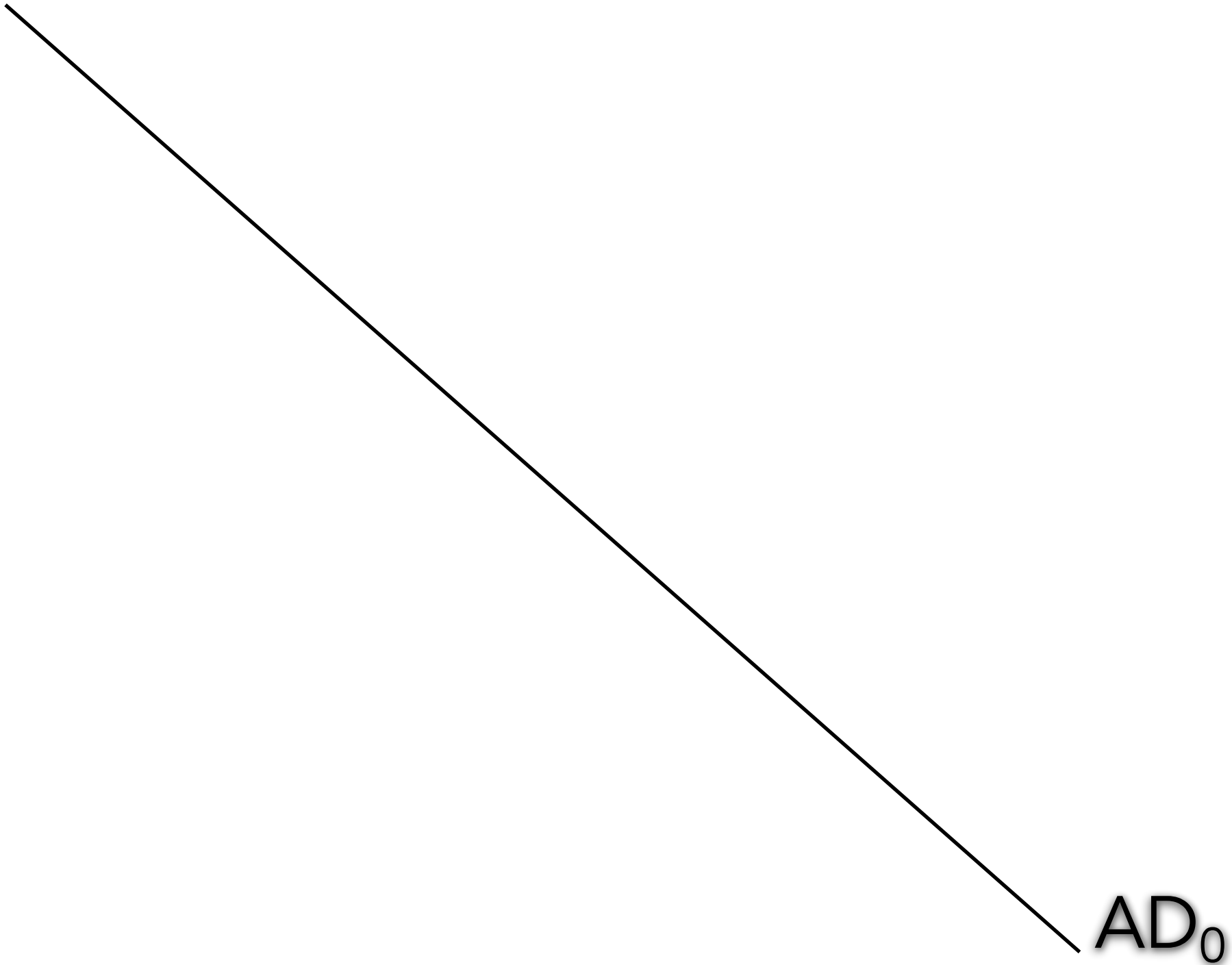


GDP₁







P_1

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GDP₀

Price Level
(CPI)



P_0

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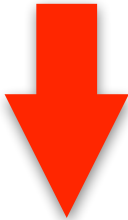
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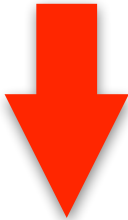
The effect of a **purchase** of bonds by the Fed
on the Goods and Services Market

GDP

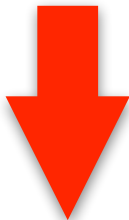
Feedbuys Bonds



Interest rates decrease



Investment **increase**



Aggregate Demand
increase

Assume the Goods and
Services Market starts at 
equilibrium



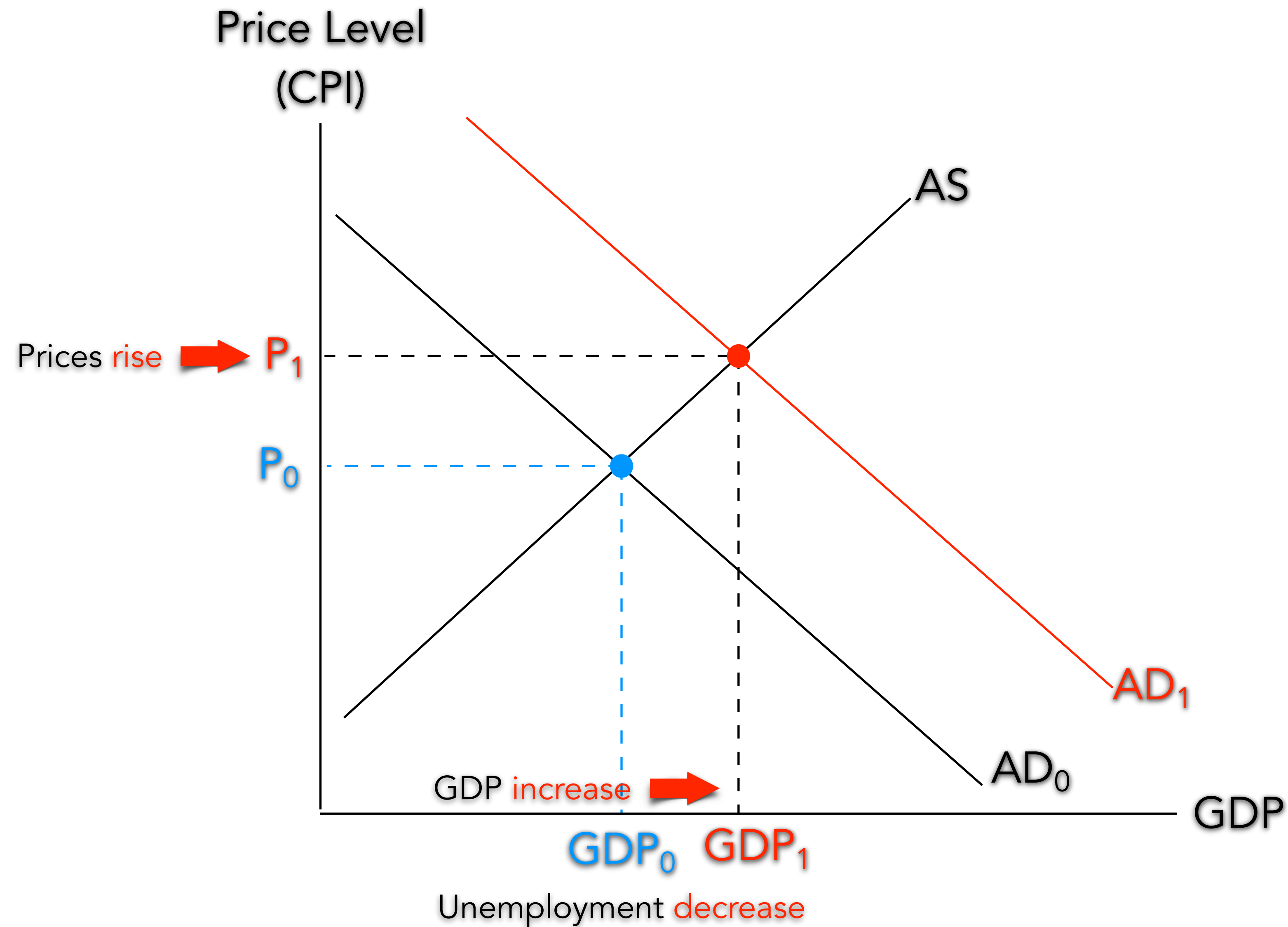
A rightward shift in
Aggregate Demand

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