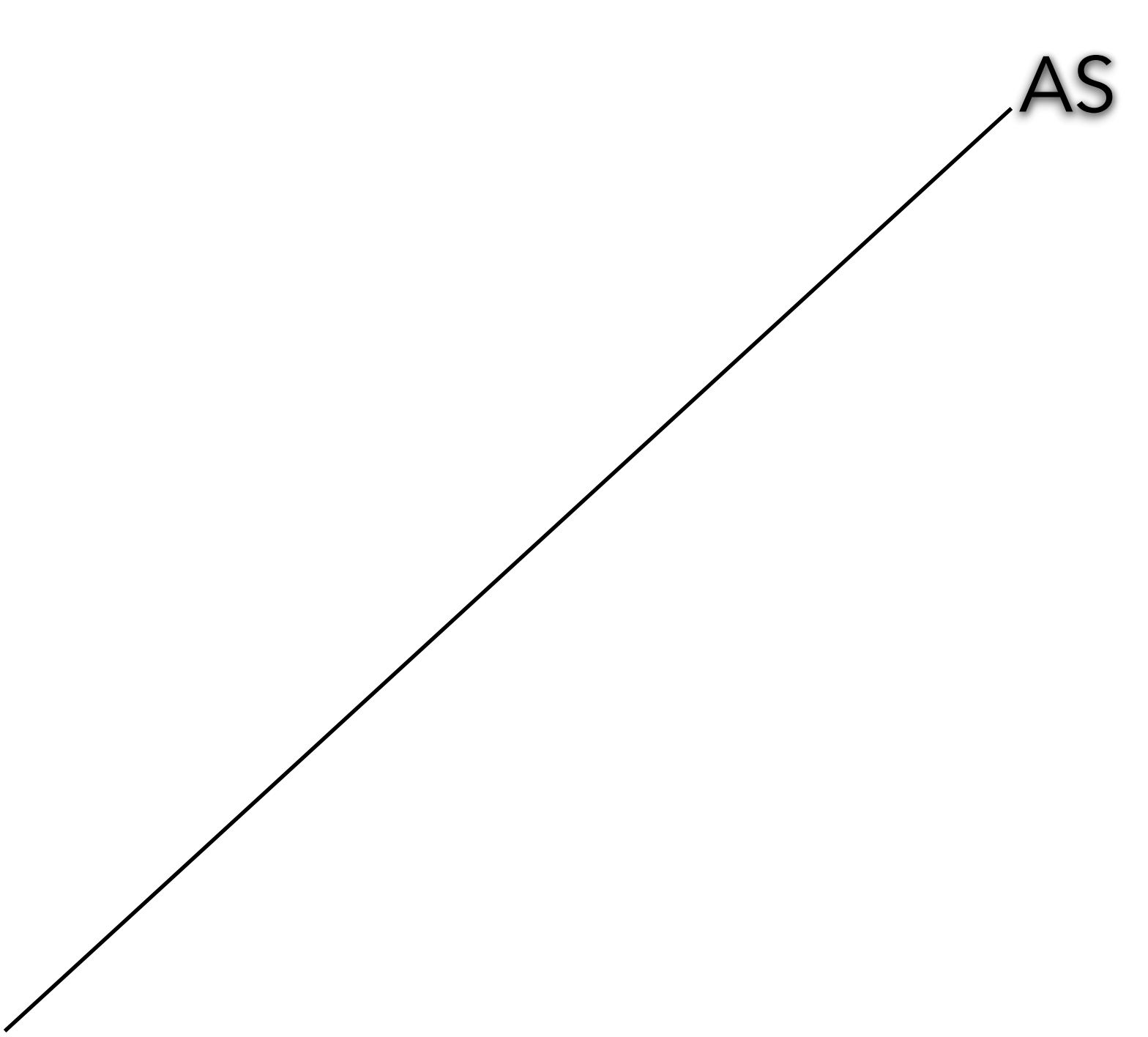
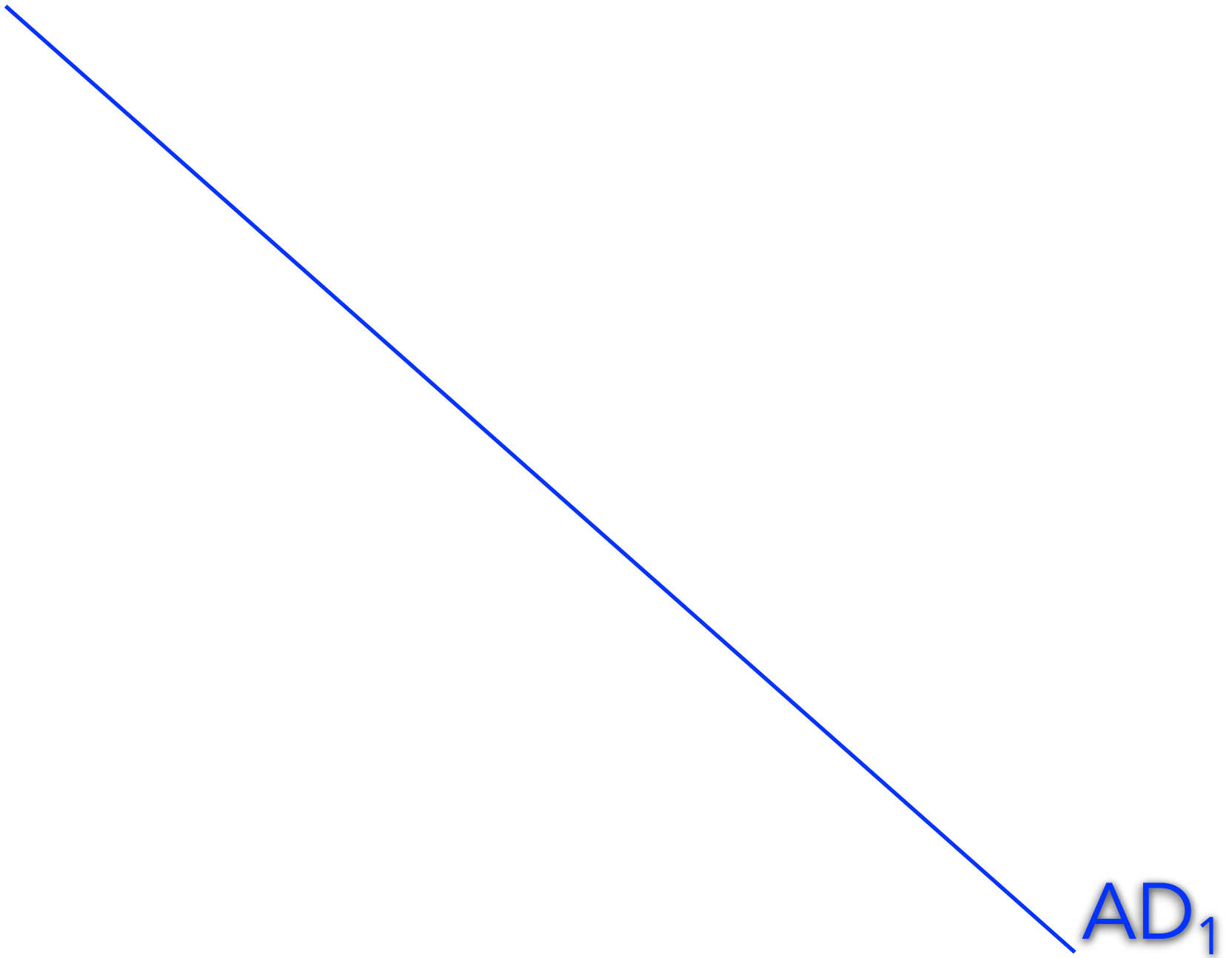


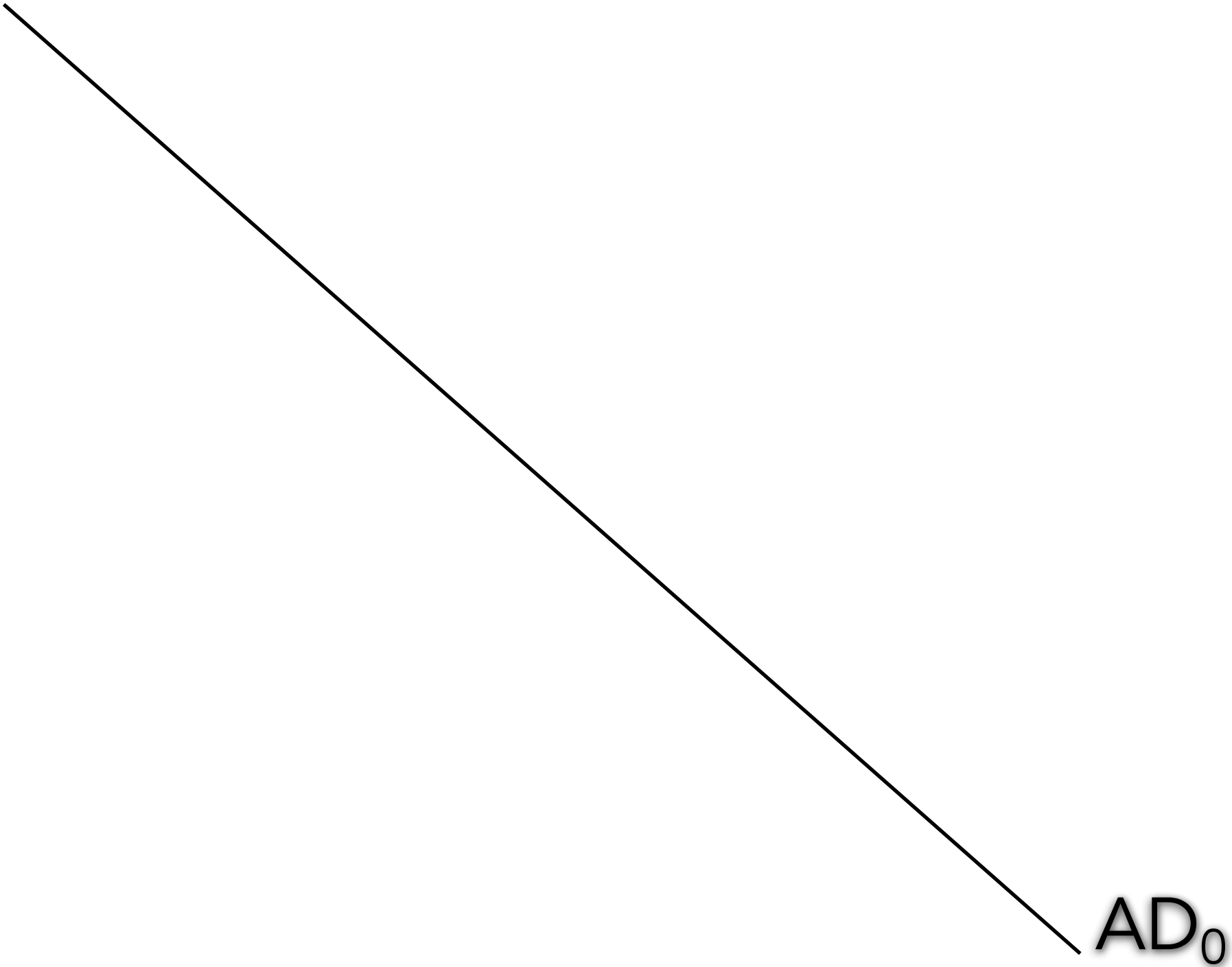


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GDP<sub>1</sub>







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GDP<sub>0</sub>

Price Level  
(CPI)





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

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GDP

Feeds **is** Bonds



Interest rates **increase**



Investment decrease



Aggregate Demand  
decrease

Assume the Goods and  
Services Market starts at  
equilibrium







A **leftward** shift in  
Aggregate Demand

Prices fall

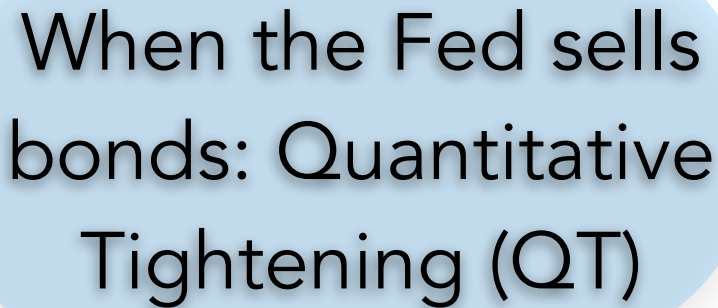




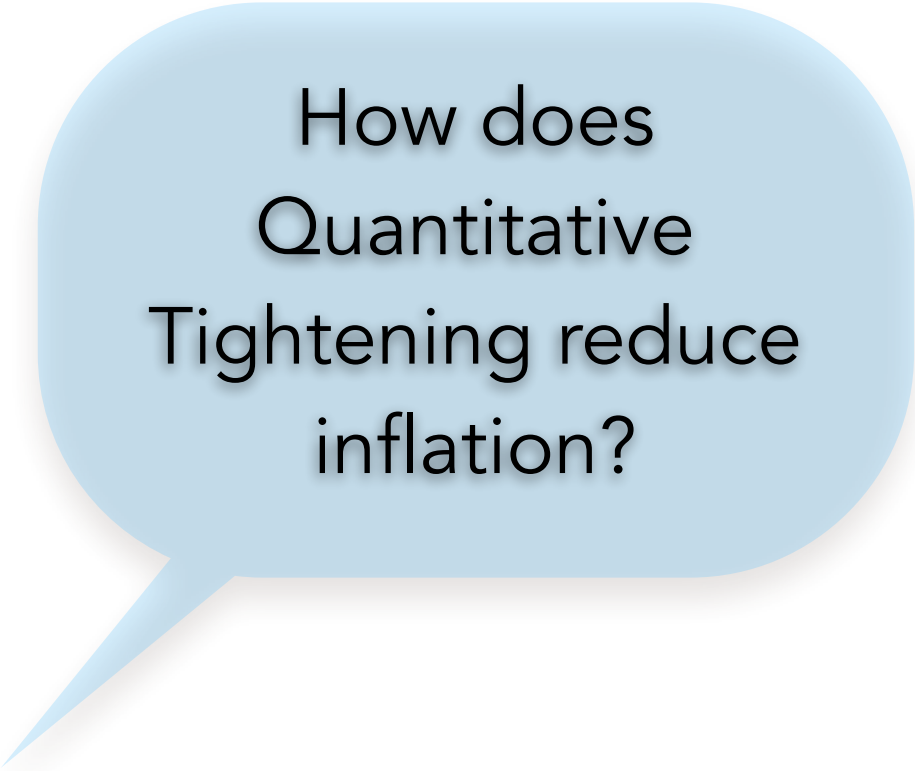
GDP

decrease

Unemployment increase



When the Fed sells  
bonds: Quantitative  
Tightening (QT)



How does  
Quantitative  
Tightening reduce  
inflation?



























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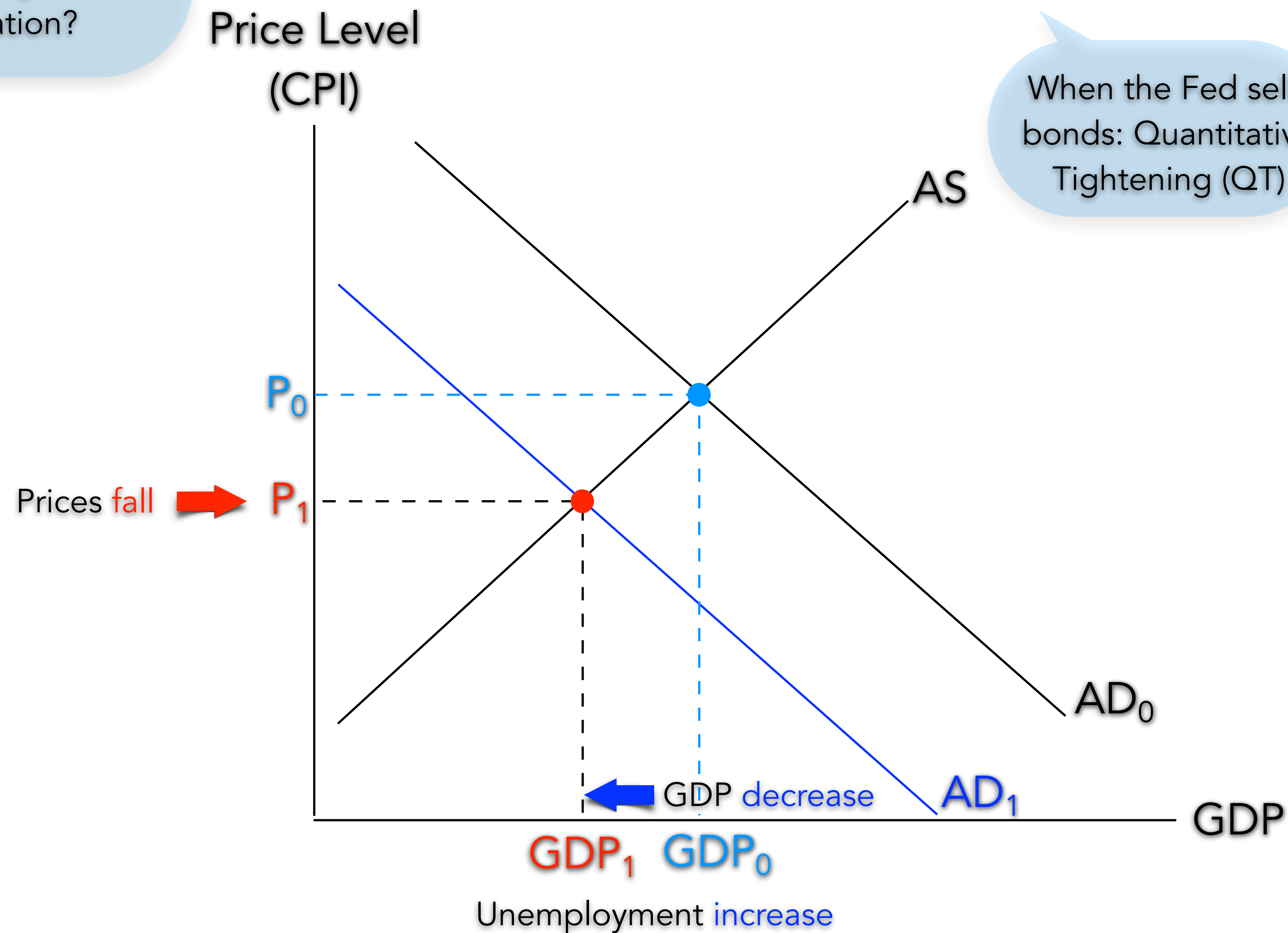




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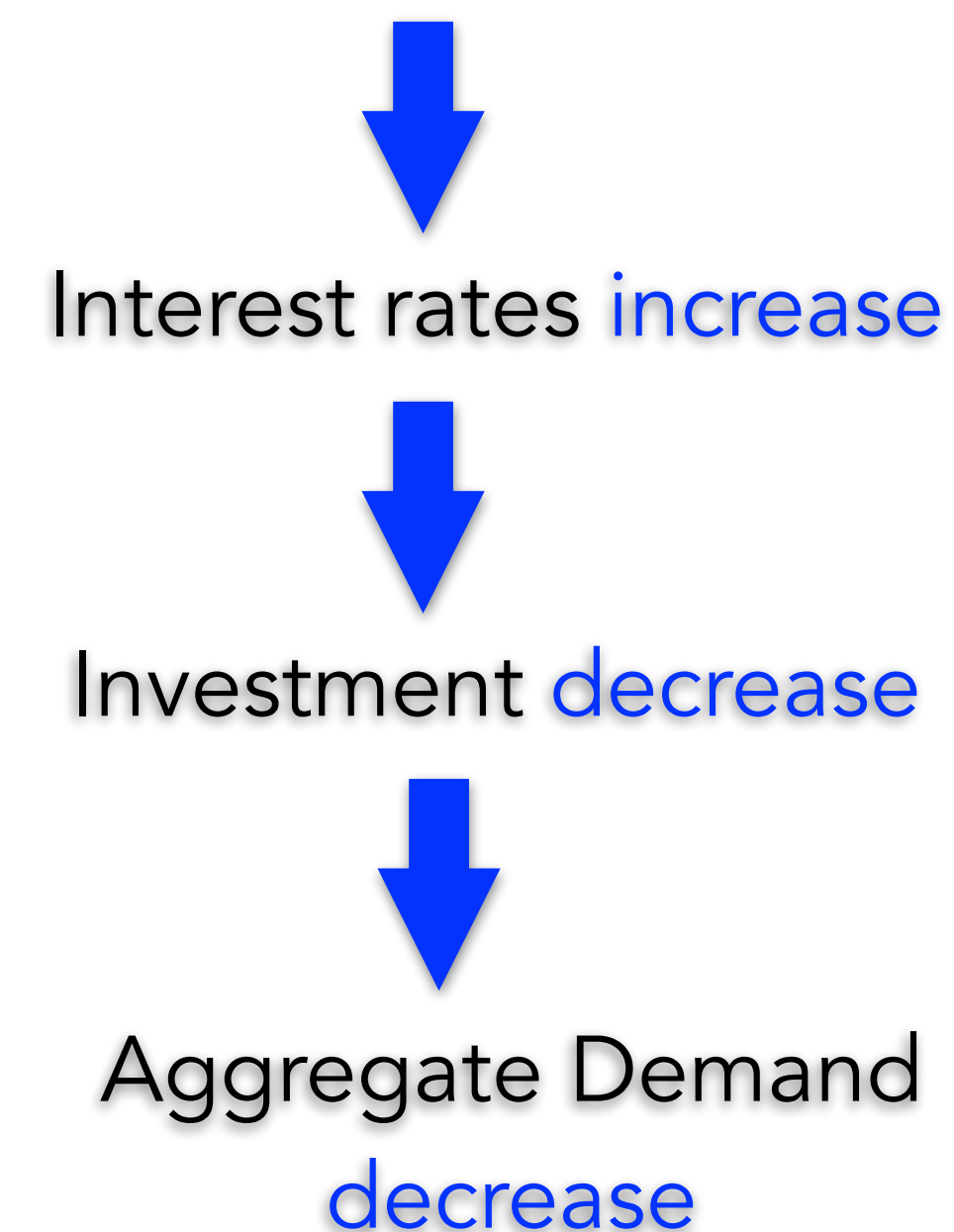
How does  
Quantitative  
Tightening reduce  
inflation?

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



When the Fed sells  
bonds: Quantitative  
Tightening (QT)

Fed **sells** Bonds



The effect of a **sale** of bonds by the Fed: reduce Inflation, increase unemployment and slow down growth

