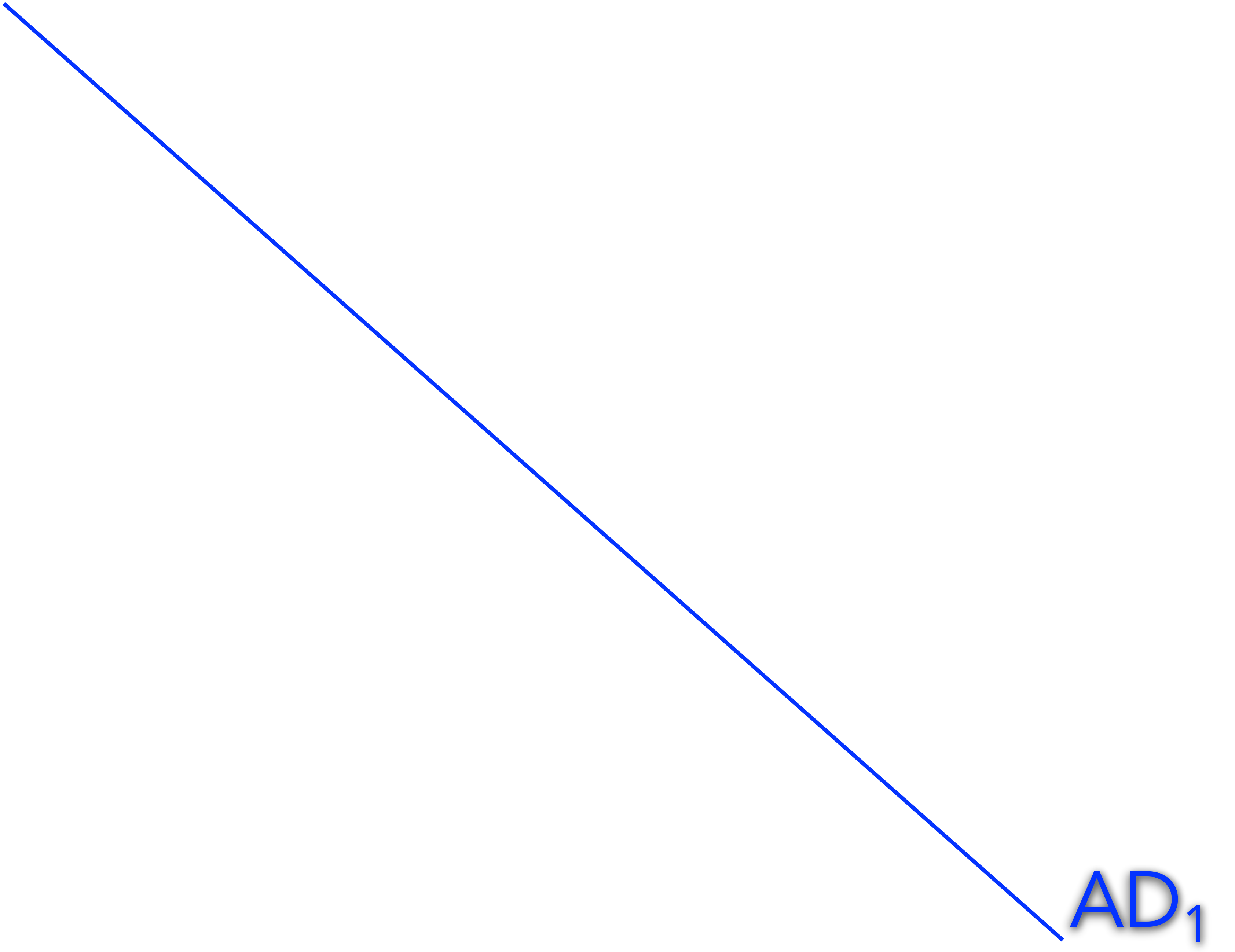
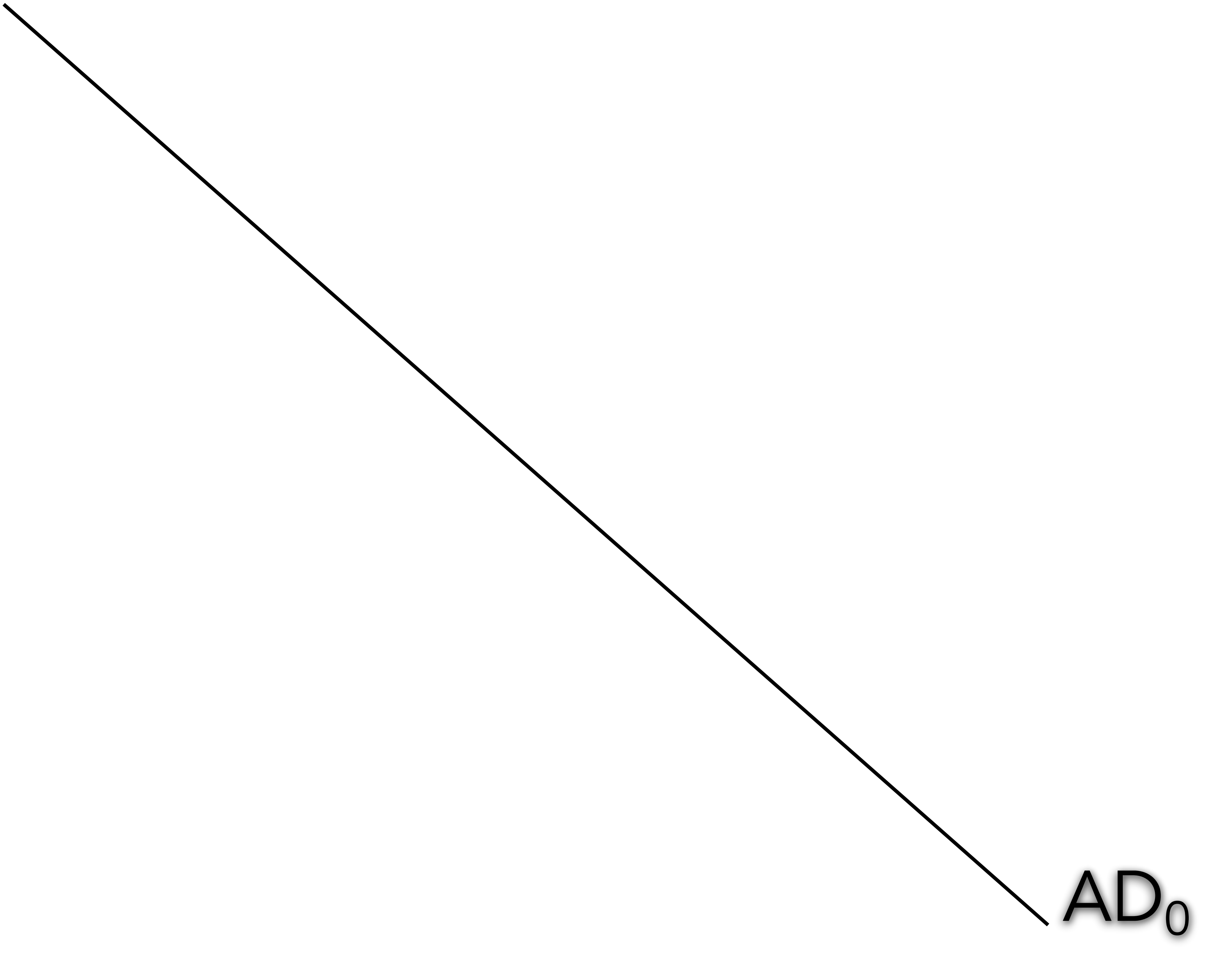
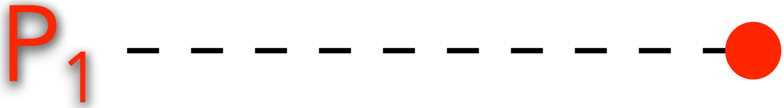
$GDP_1$

AS

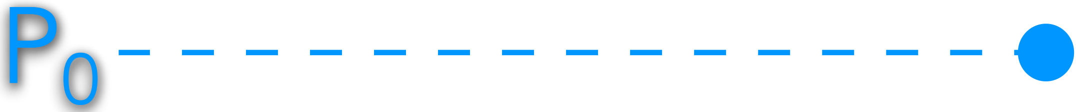

AD$_1$


$AD_0$


$P_1$

$GDP_0$

Price Level
(CPI)


P0

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

# GDP

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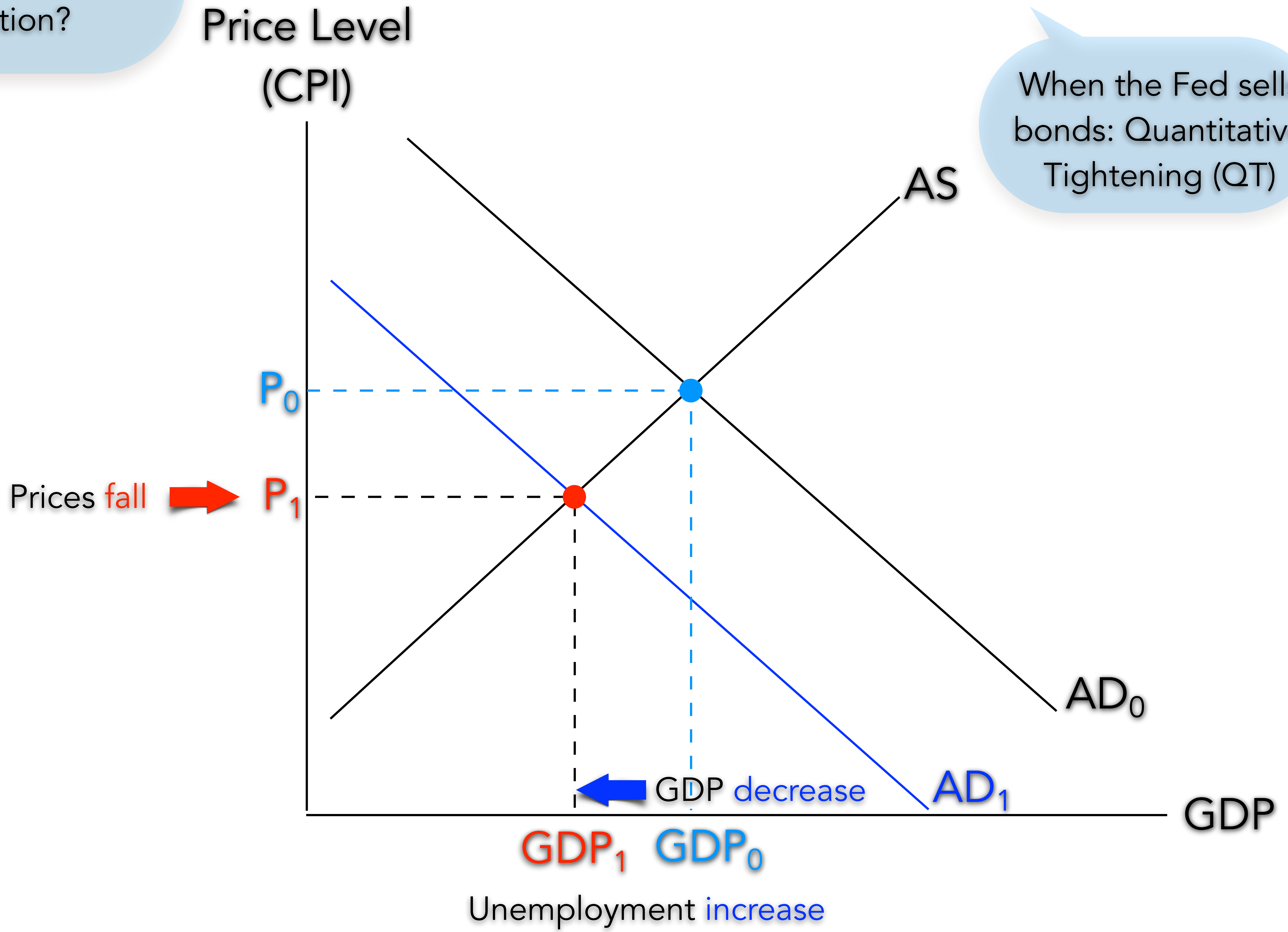
# The effect of a sale of bonds by the Fed on the Goods and Services Market

How does Quantitative Tightening reduce inflation?

When the Fed sells bonds: Quantitative Tightening (QT)




Fed sells Bonds

Interest rates increase

Investment decrease

Aggregate Demand decrease

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


FRED
Federal Funds Effective Rate
30-Year Fixed Rate Mortgage Average in the United States
Bank Prime Loan Rate
Percent
9
8
7
6
5
4
3
2
1
0
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024