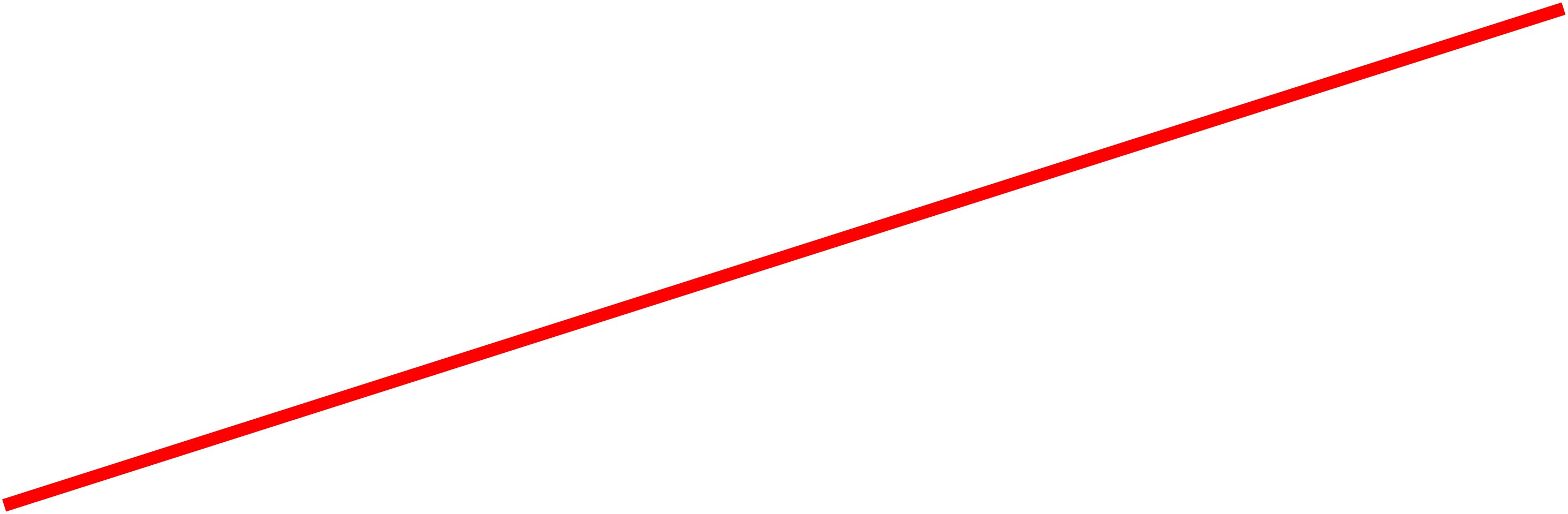


A

E





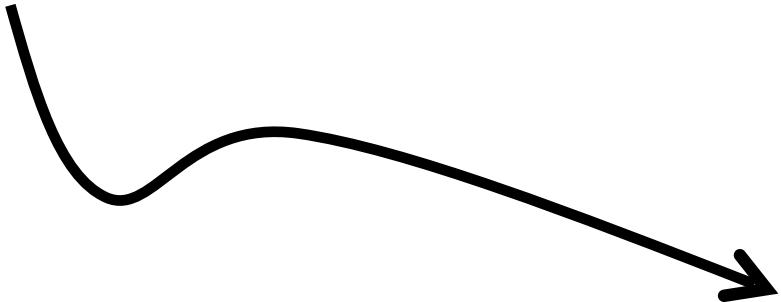




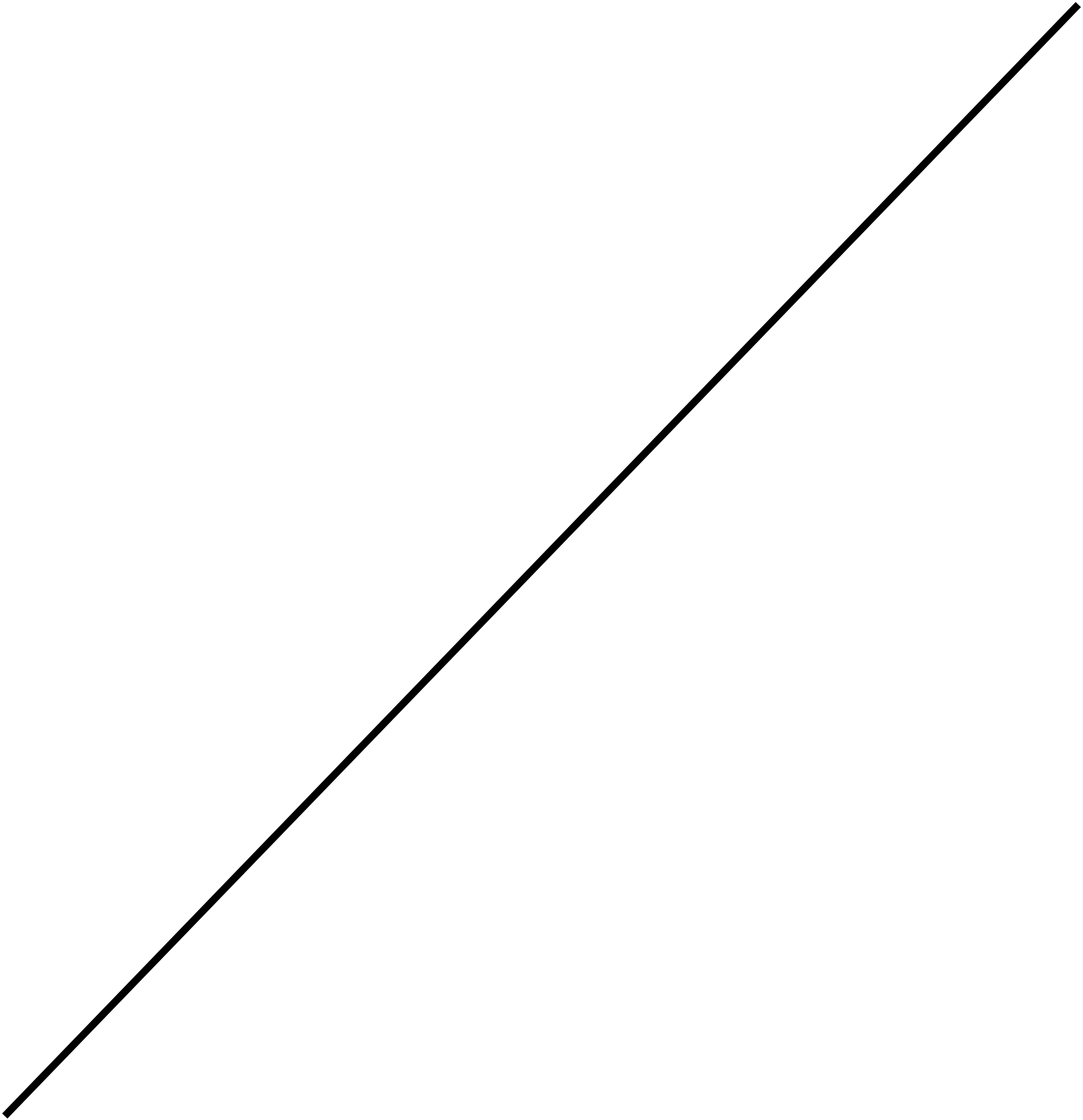


Lower  $Y^*$

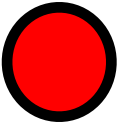
Equilibrium

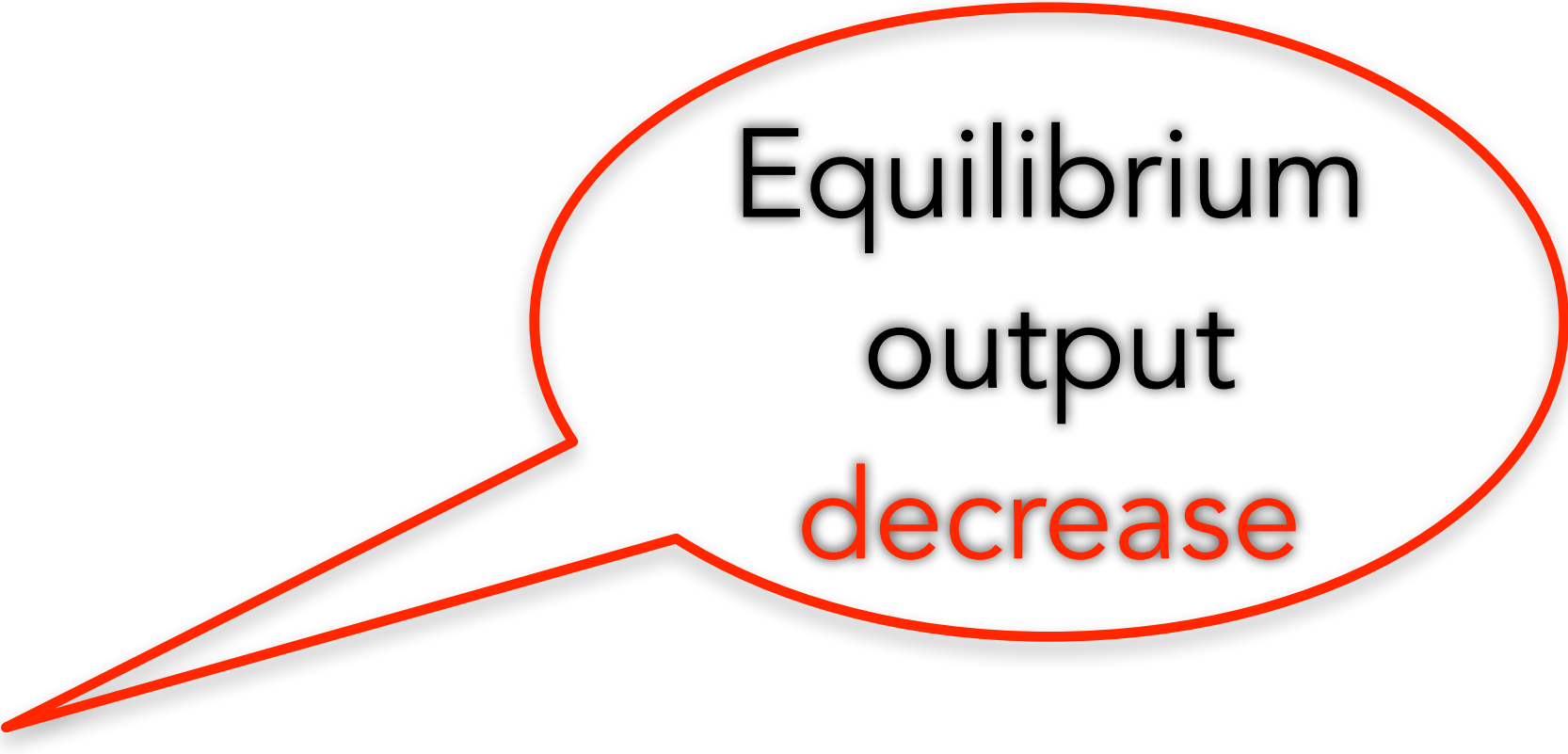












Equilibrium  
output  
decrease









**AE O**

GDP/Income



Unemployment  
increase





Total

Production



Total  
Purchases



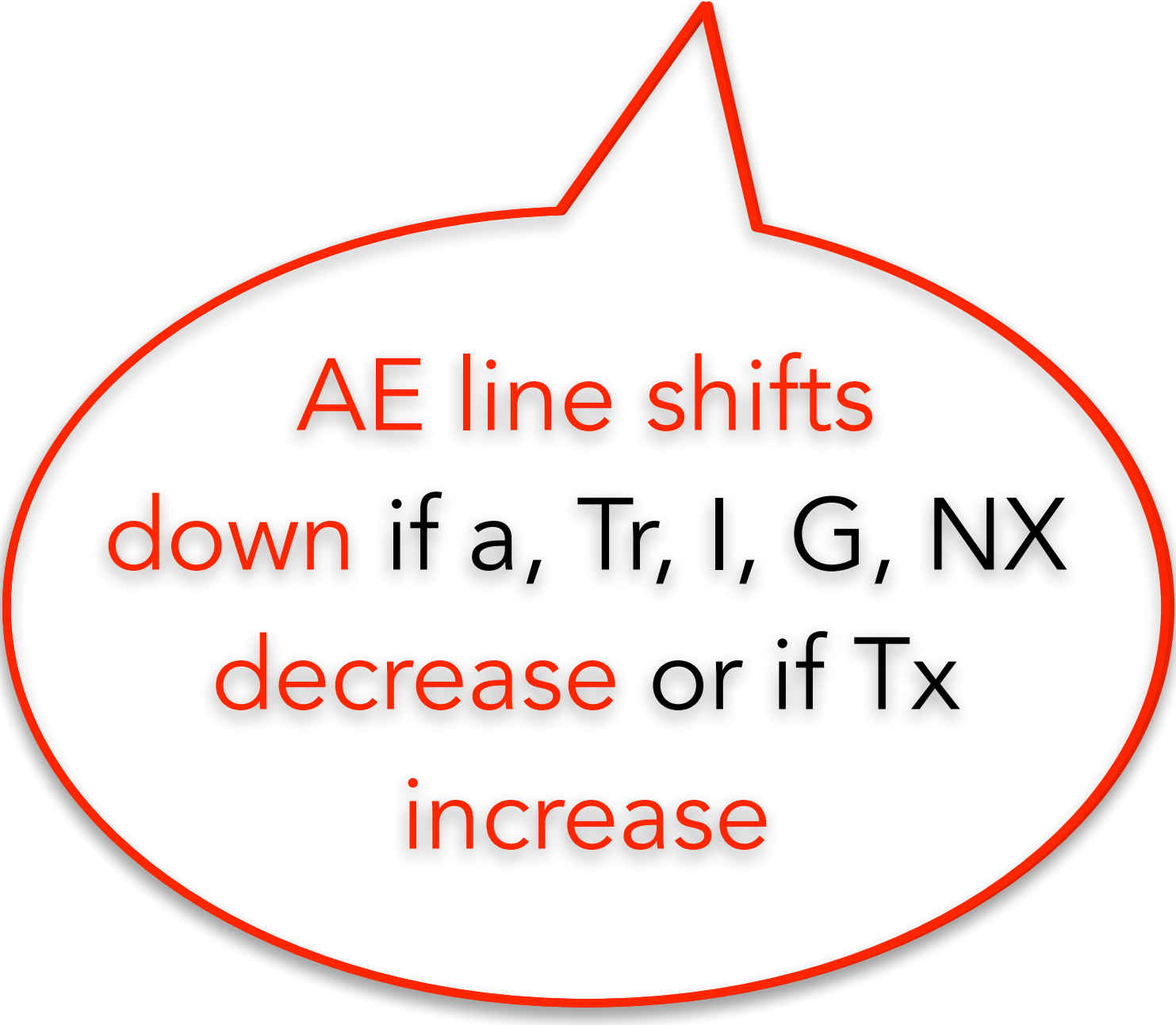
Inventories  
rise

AE<sub>1</sub>

Y


O

\*



AE line shifts  
down if  $a$ ,  $Tr$ ,  $I$ ,  $G$ ,  $NX$   
decrease or if  $T_x$   
increase

New Equilibrium

A large red arrow pointing to the left, with the text "Firms decrease output and employment" written inside in white.

Firms decrease  
output and  
employment

