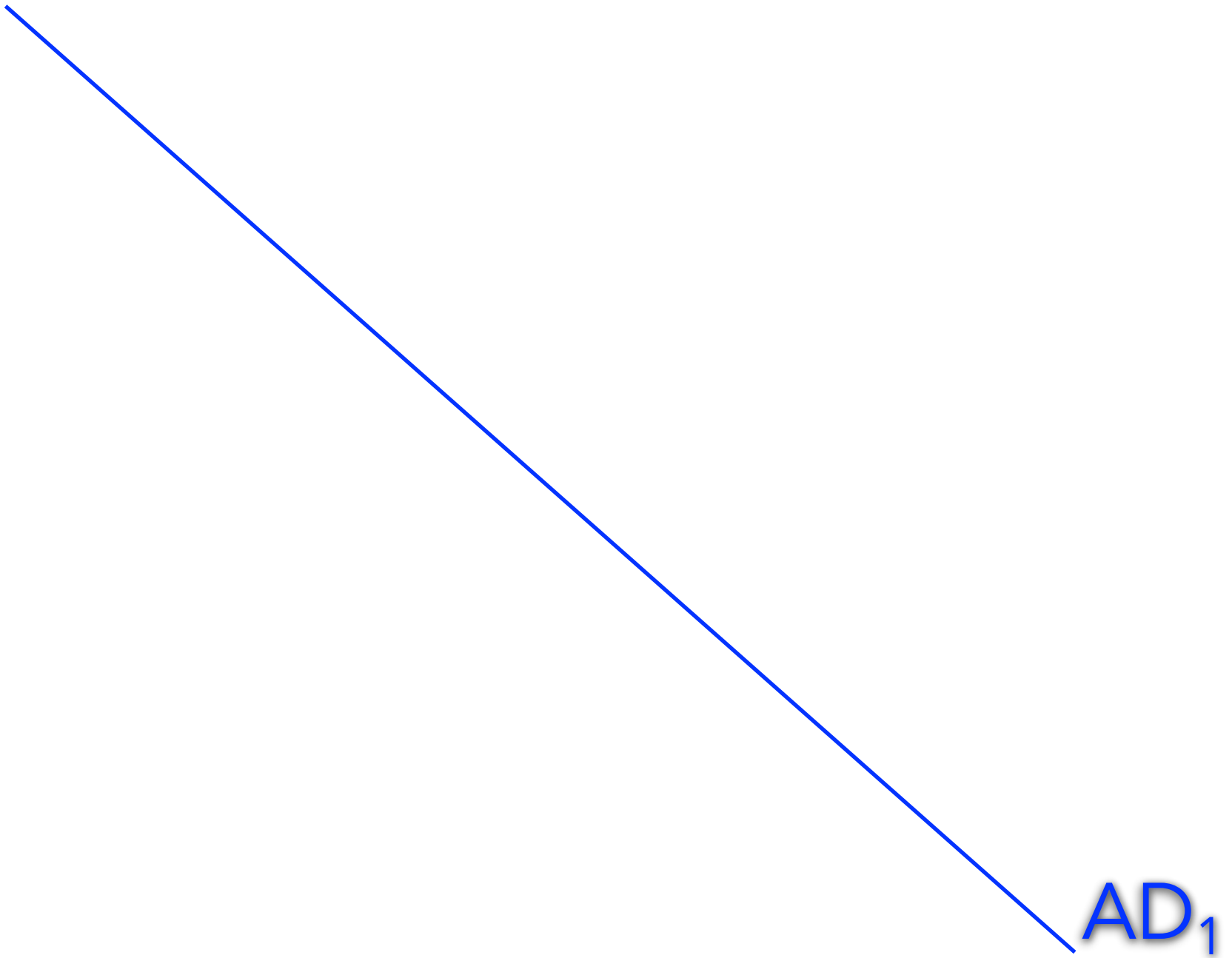
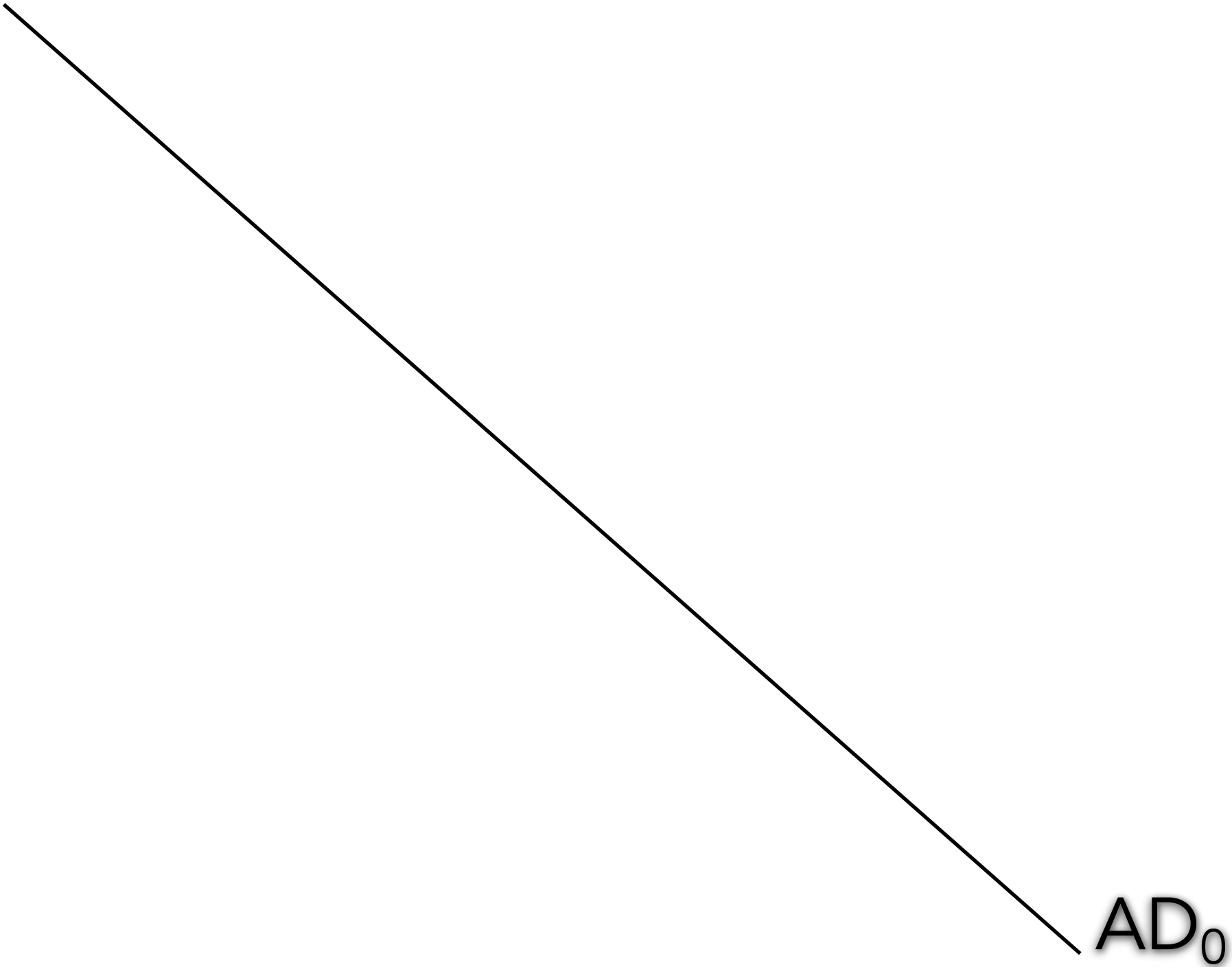

GDP₁

AS

A single, straight, black line starts at the bottom-left corner of the image and extends diagonally upwards to the top-right corner. The line is labeled with the letters "AS" at its upper-right end.





P_1

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GDP₀

Price Level
(CPI)



P_0



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

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

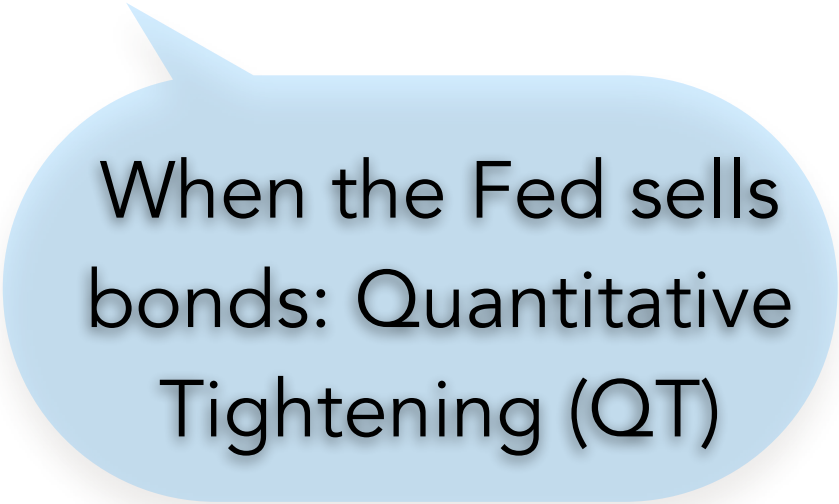




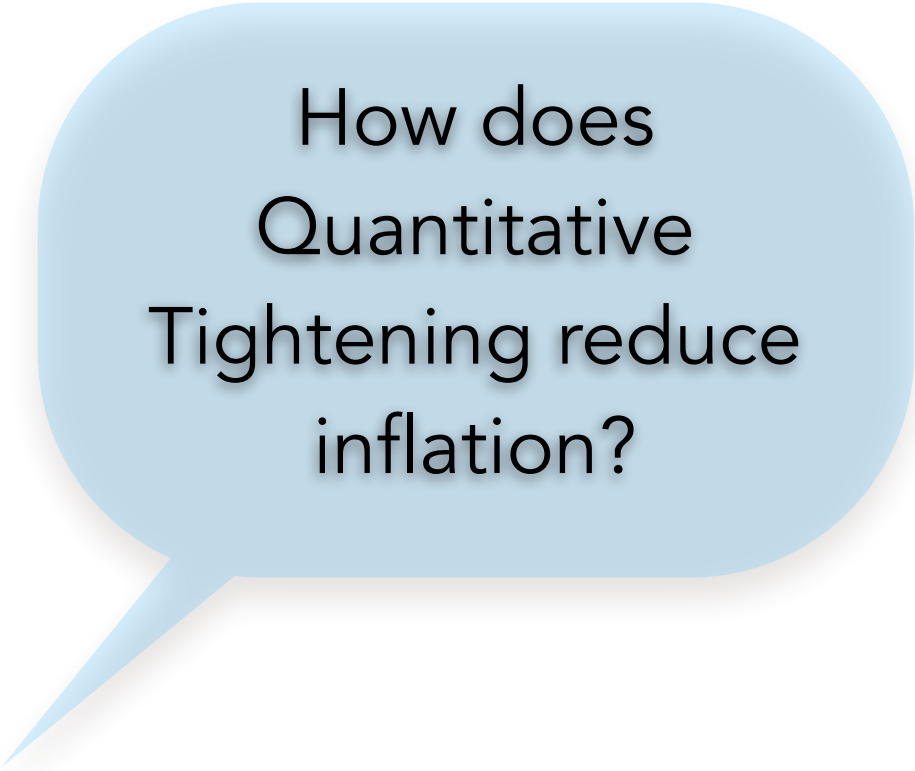
GDP

decrease

Unemployment increase



When the Fed sells
bonds: Quantitative
Tightening (QT)



How does
Quantitative
Tightening reduce
inflation?























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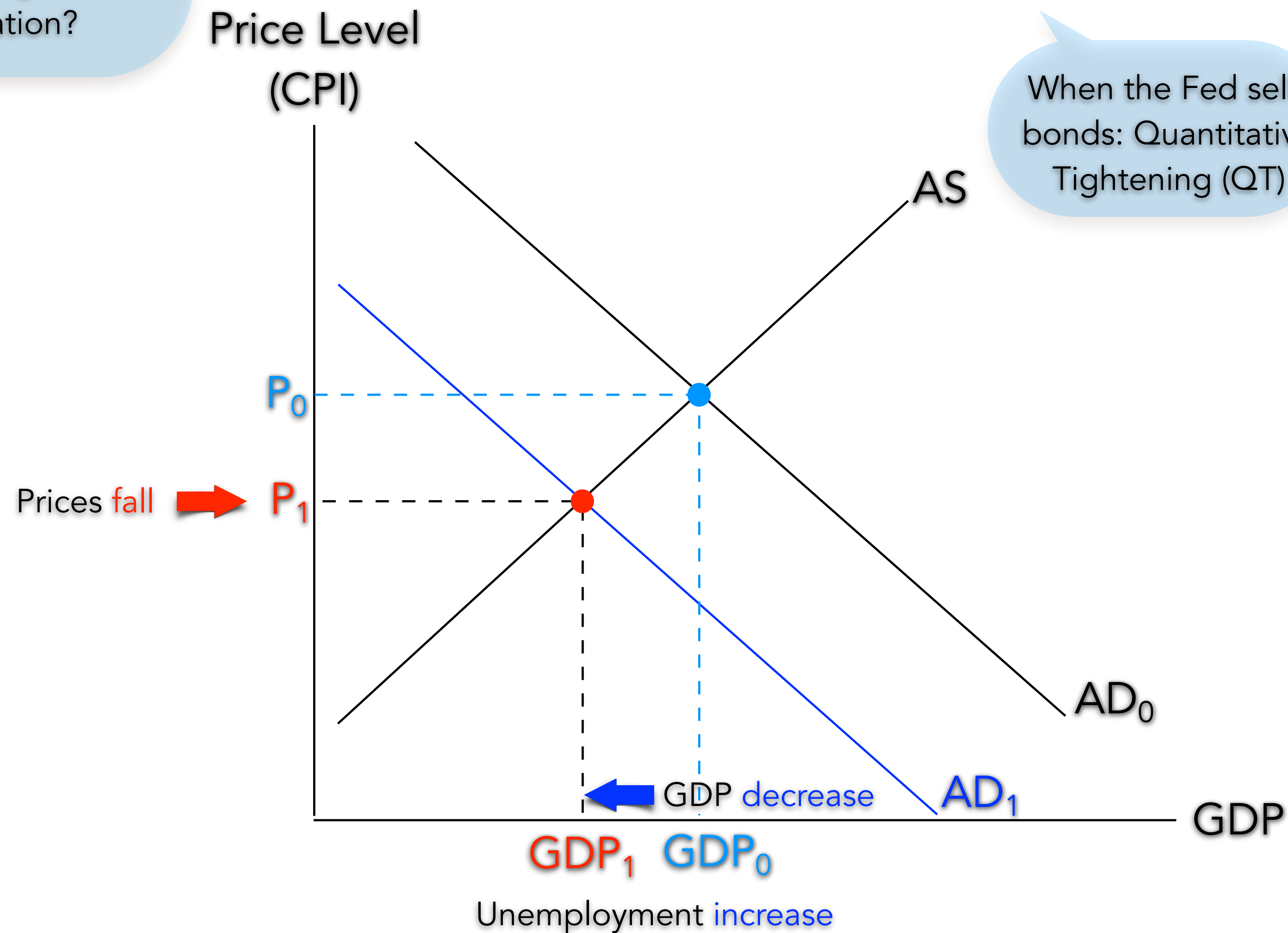




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How does
Quantitative
Tightening reduce
inflation?

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



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

