

Po

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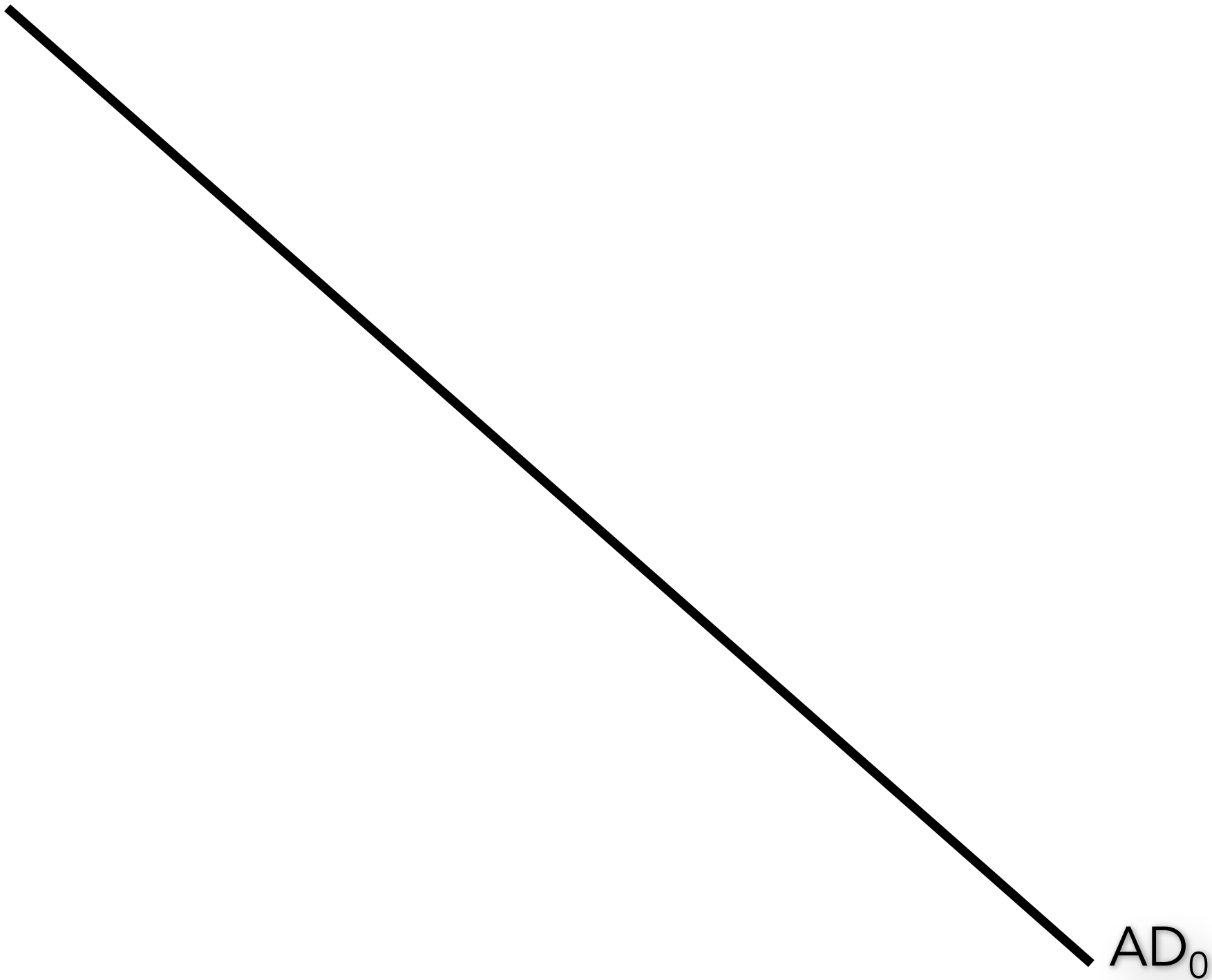
GDPo

P_1 - - - - -



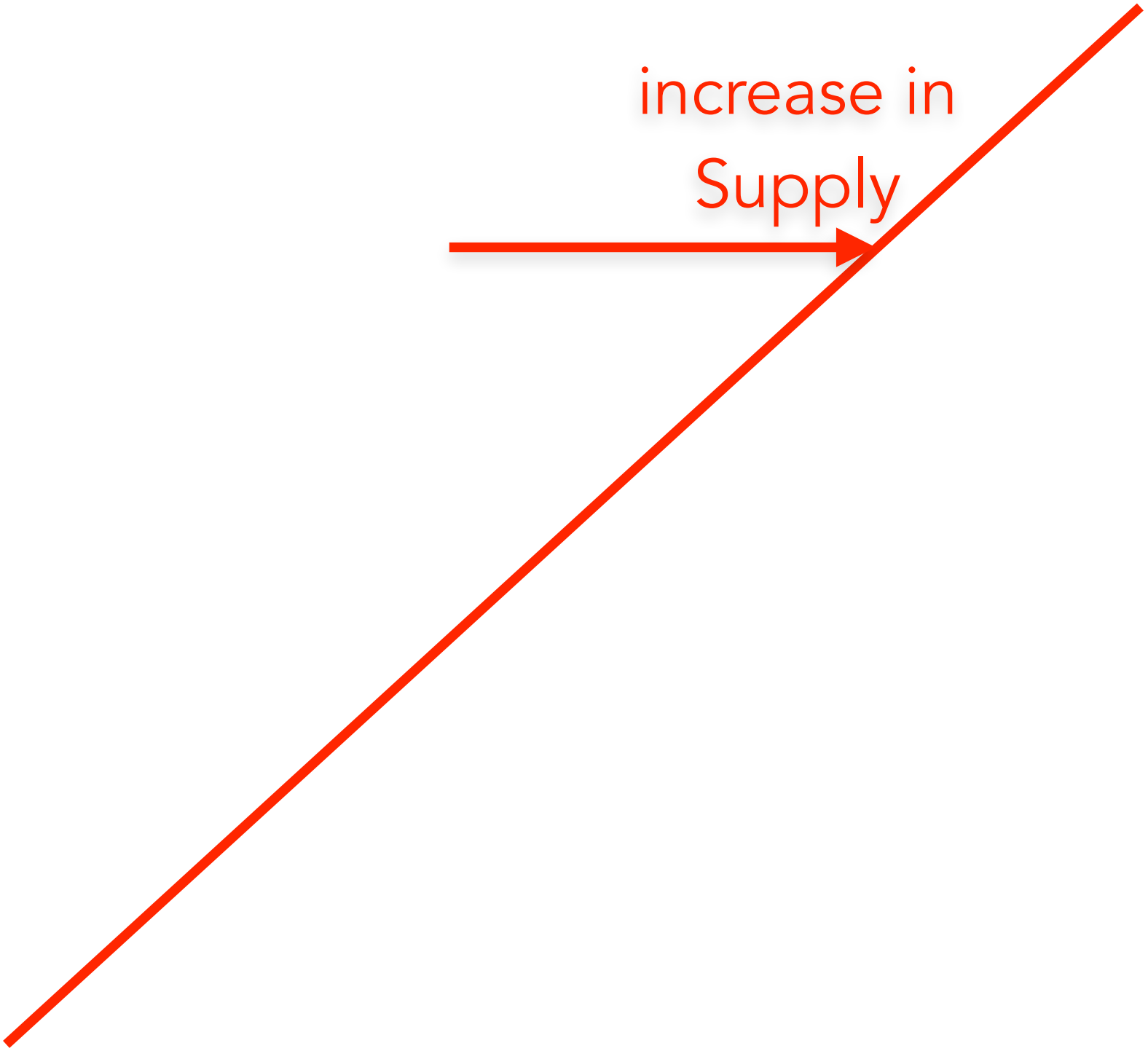
AS_0

A thick black diagonal line originates from the bottom-left corner of the image and extends towards the top-right corner. It is a straight line with a positive slope, ending just below the label AS_0 .





increase in
Supply



AS₁

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|
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GDP₁

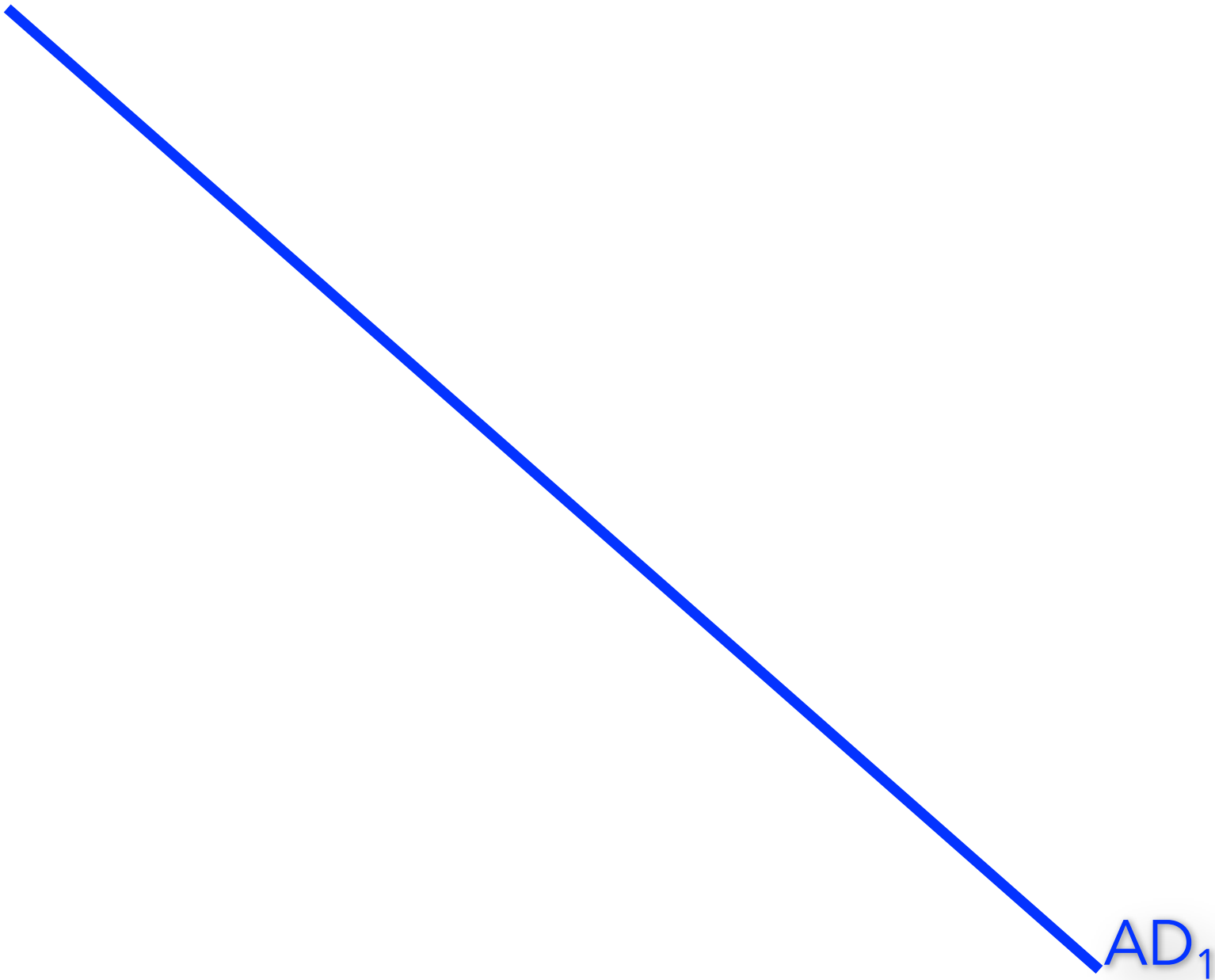
Price Level
(CPI)



The Effect of an Decrease in Demand and an Increase in Supply

Decrease
in Demand





Larger

Smaller



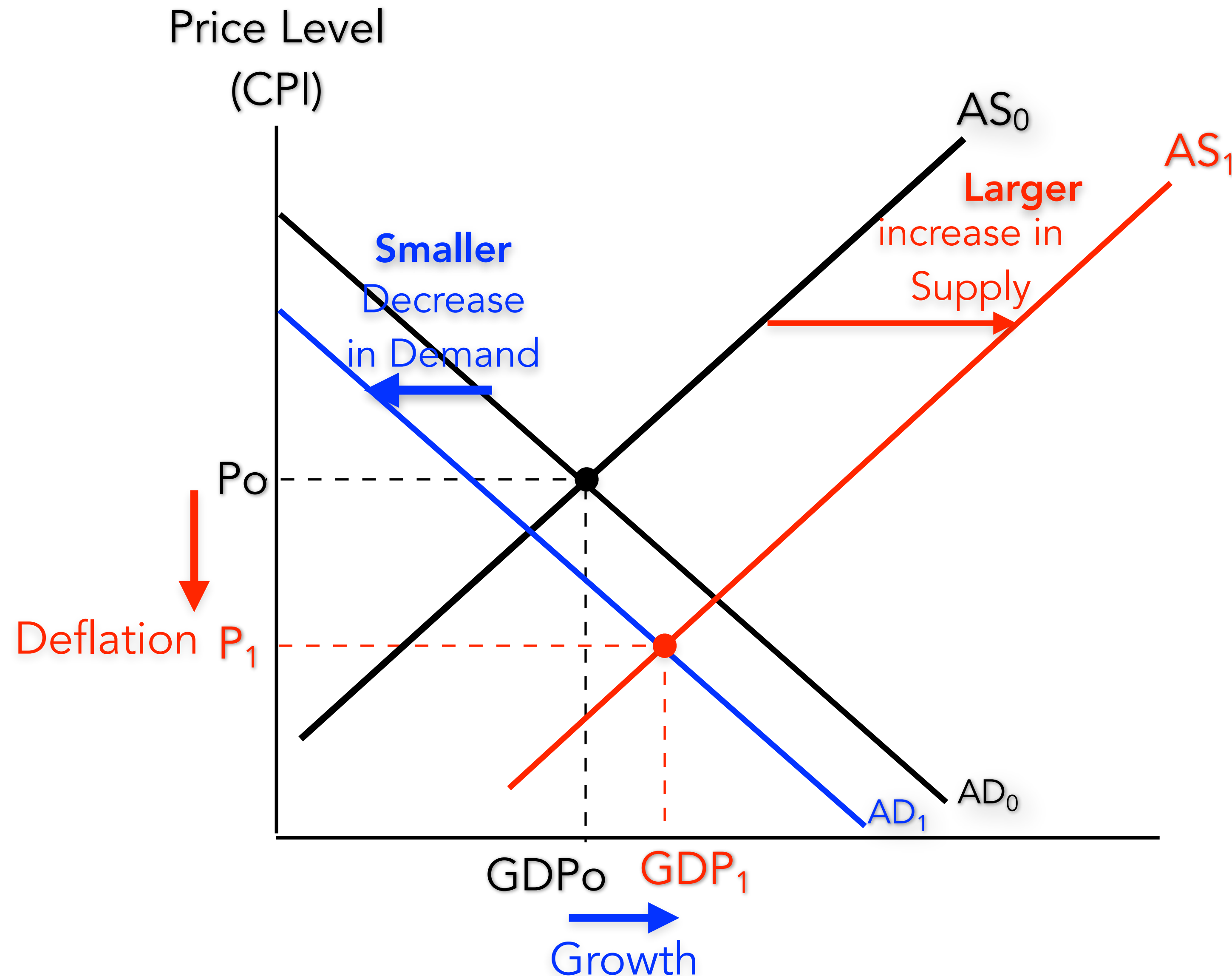
Growth



Deflation



The Effect of an **Decrease** in Demand and an **Increase** in Supply



The Effect of an **Decrease** in Demand and an **Increase** in Supply

