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A Drought

A drought causes a decline in productivity

Shift in $Y_f$

Shift in $P$ Curve

The $P$ curve comes about because of LS effects, not changes in $A$; A shift in $A$ will also shift that curve
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A Digression

Shift in Y Curve

Shift in M Curve

Equilibrium

Inflation

Y_{fd} < Y < Y_f

U > U_n

The Ambiguity in R

The Bottom Line

This is not a replacement, just a richer model
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