

A

E



Y = 5,000

Y = 10,000

$Y = 19,000$

If total production $Y =$
5,000







Change in Inventories =

$$5,000 - 6,400 = -1,400$$

(decrease)

If total production $Y =$
10,000





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Change in Inventories =

$$10,000 - 10,900 = -900$$

(decrease)









If total production $Y =$
25,000

$$\begin{aligned} \text{Change in Inventories} &= \\ 25,000 - 24,400 &= +600 \\ (\text{increase}) \end{aligned}$$

$Y = 25,000$



Firms increase production



No change in production





A

E



Produced = 5,000







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X

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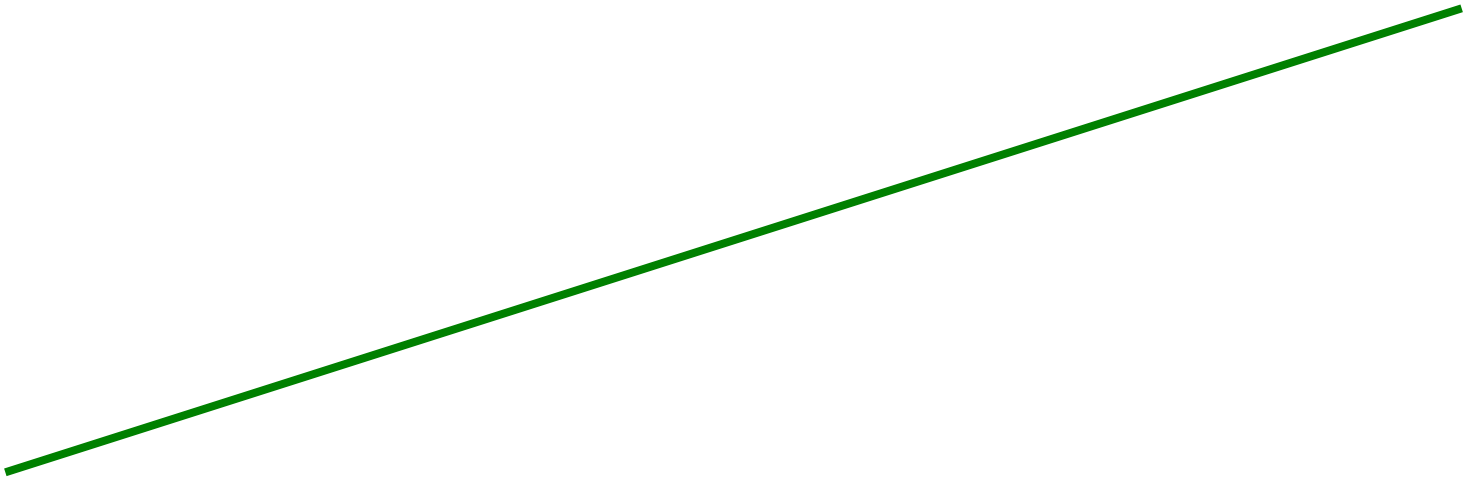




Change in Inventories =
19,000 – 19,900 = 0 (no
change)

If total production $Y =$
19,000









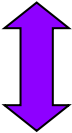












-1,400

- 900

Firms increase production

+600

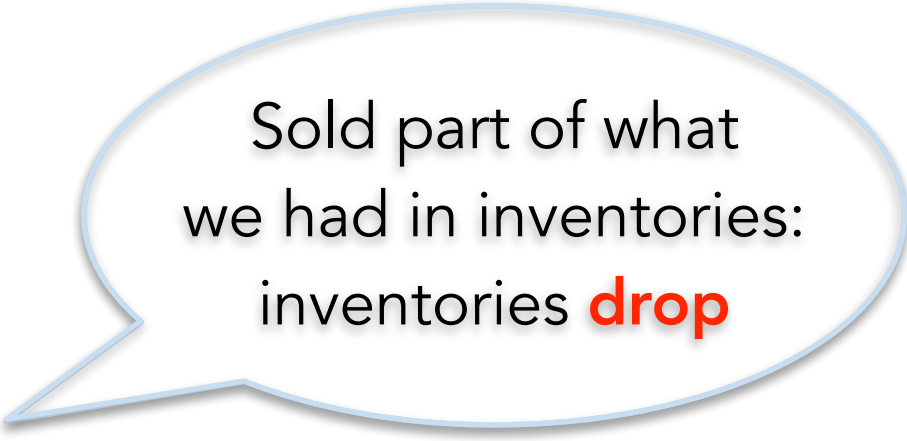
Firms decrease production

Exercises on Probability





Produced 5,000
sold **more**: 6,400



Sold part of what
we had in inventories:
inventories **drop**


Produced

10,000 sold **more:**

10,900



Sold part of what
we had in inventories:
inventories **drop**



We could not sell
everything we produced:
Inventories **rise**

Produced

25,000 sold **less**

24,000



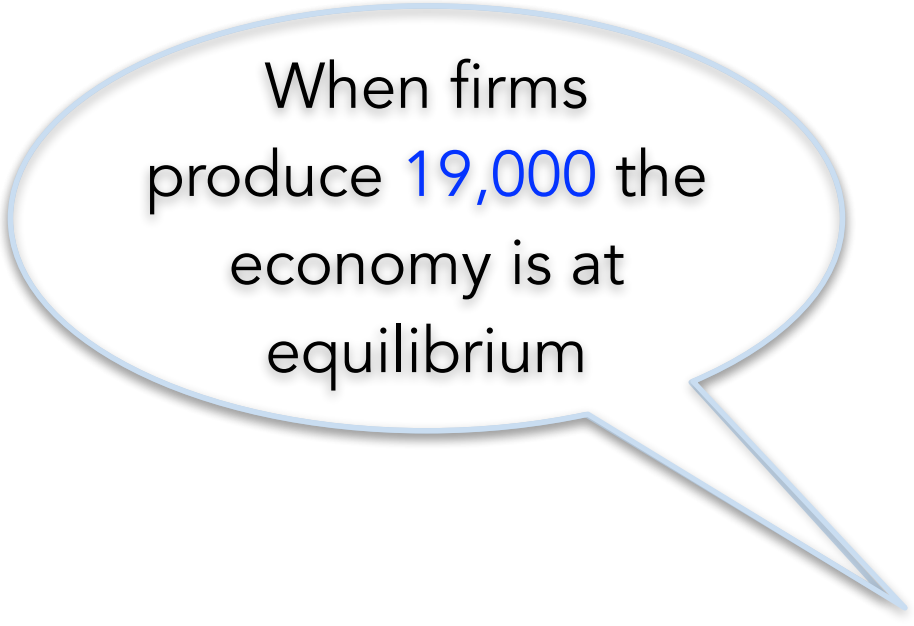
No change in
inventories



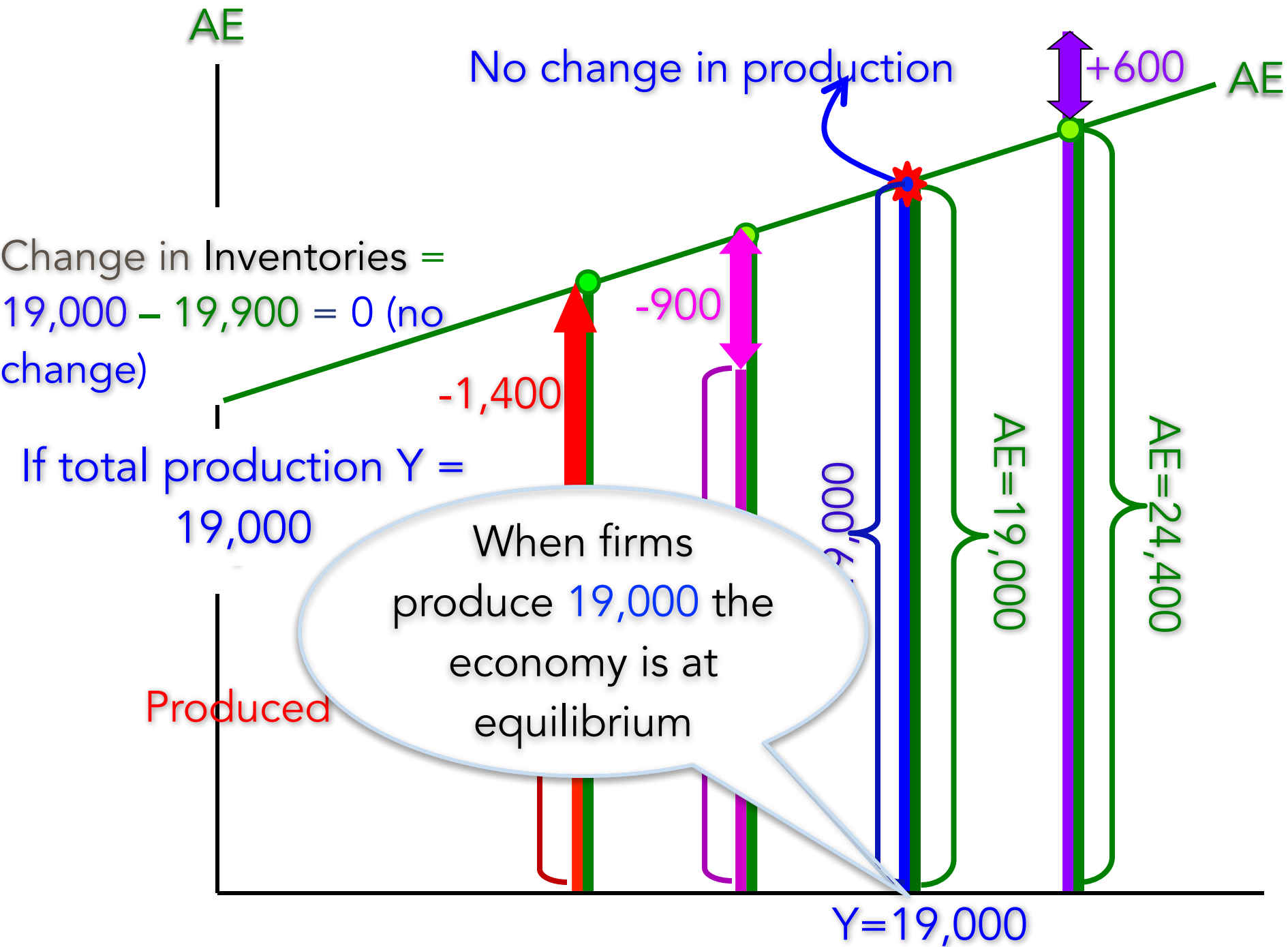
Produced

19,000 sold 19,000






When firms
produce 19,000 the
economy is at
equilibrium



AE

Where the two lines
cross: AE and the 45°
line



Total
Purchases

Total
Production

GDP/Income

Equilibrium GDP