



=19,000

#### If total production Y = 5,000





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```
Change in Inventories =
5,000 - 6,400 = -1,400
(decrease)
```

#### If total production Y = 10,000





# 

```
Change in Inventories =
10,000 - 10,900 = -900
(decrease)
```









#### If total production Y = 25,000

#### Change in Inventories = 25,000 - 24,400 = +600(increase)



#### Firms increase production

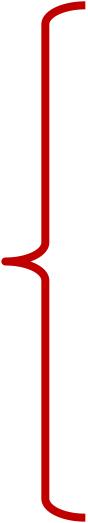


#### No change in production









Produced = 5,000

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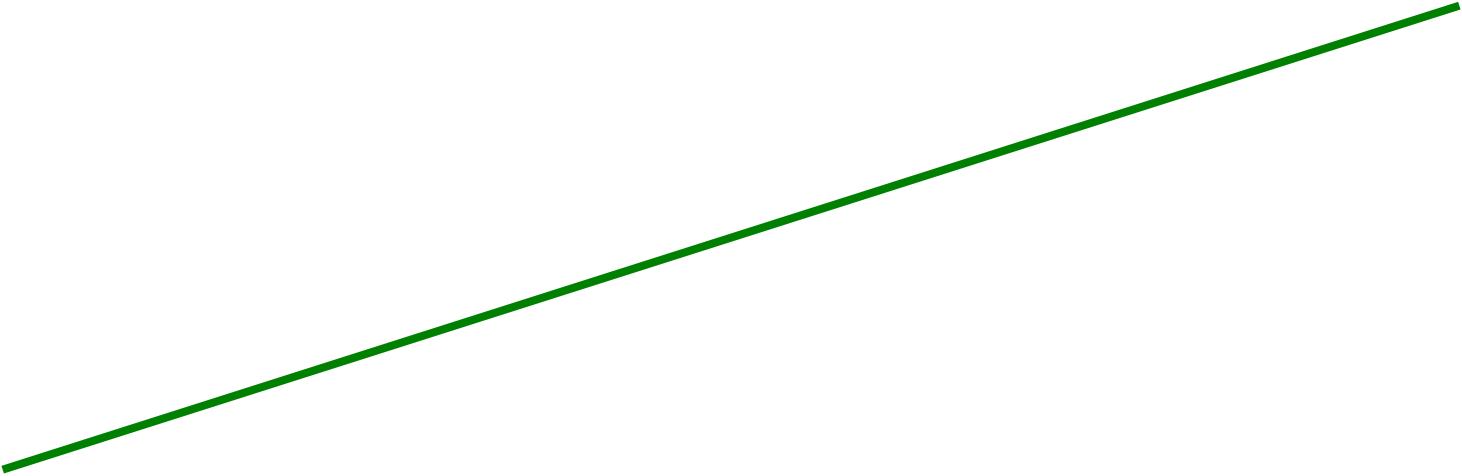
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```
Change in Inventories =
19,000 - 19,900 = 0 (no
change)
```

## If total production Y = 19,000





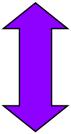












### Firms increase production

### Firms decrease production

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# 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



