



AD

AS

Determining Price and Output: Equilibrium

Price Level  
(CPI)



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Real GDP

Production (AS) < Total Sales (AD)

Inventories fall

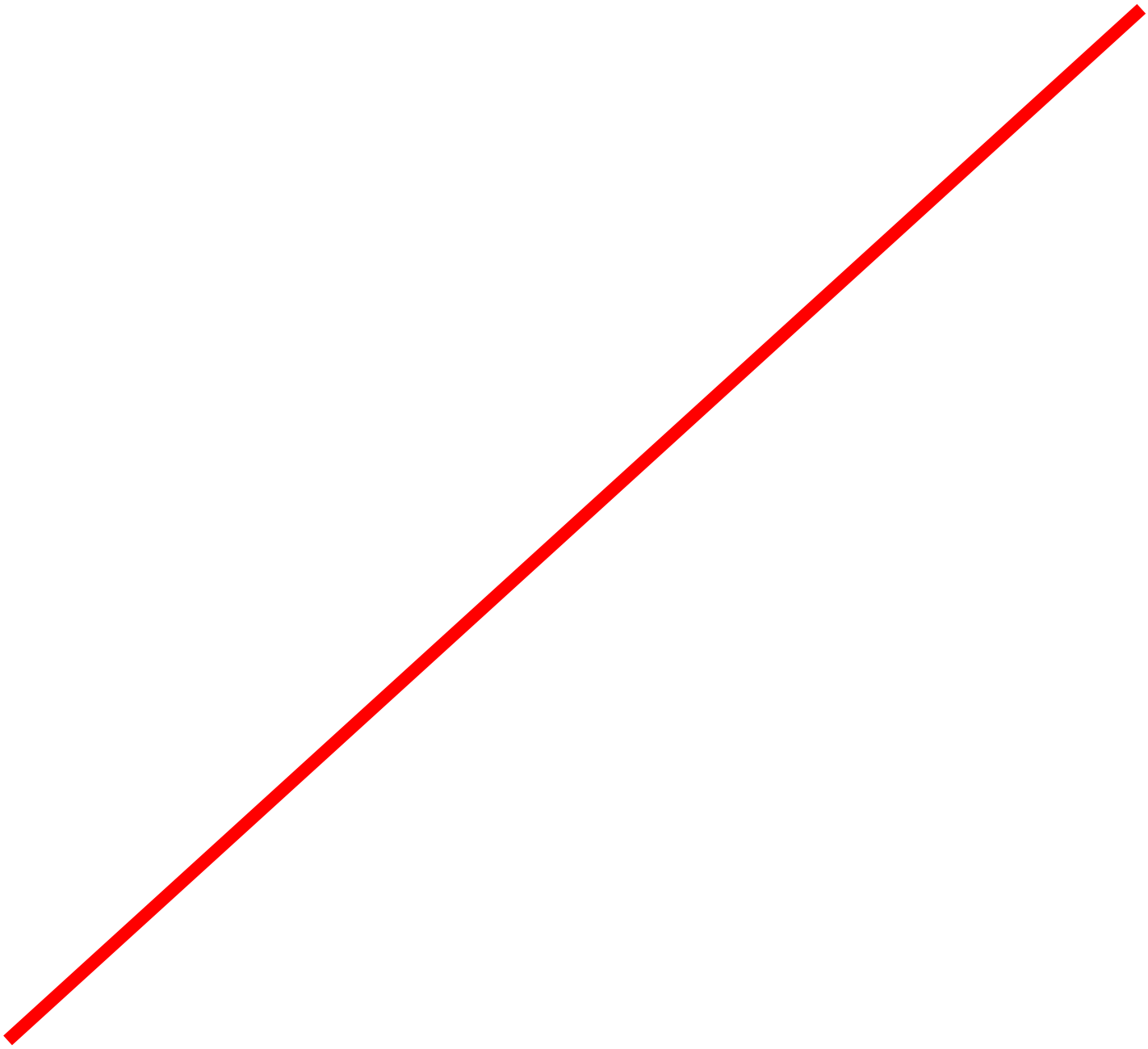
For any Price Level below  $P_e$

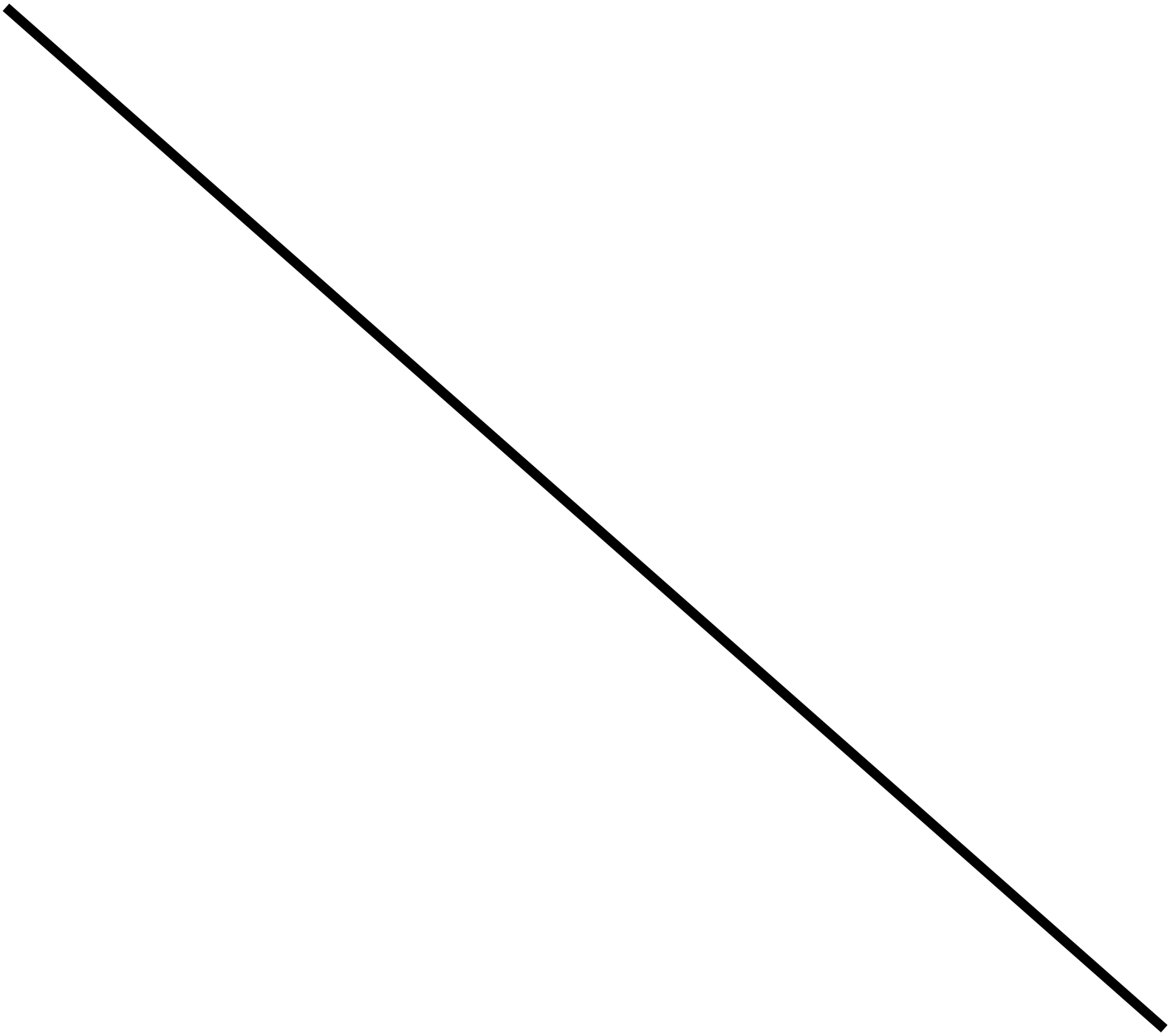


Aggregate Supply  $<$  Aggregate Demand



Firms increase  
production and prices







Once prices rise to this level

**Aggregate Supply** = Aggregate Demand

Inventories do not change

The economy is at equilibrium

Pe

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A blue speech bubble with a thick blue outline and a small tail pointing towards the bottom right. Inside the bubble, the words "Equilibrium" and "Price" are written in a blue, sans-serif font, stacked vertically and centered.

Equilibrium  
Price



Equilibrium GDP



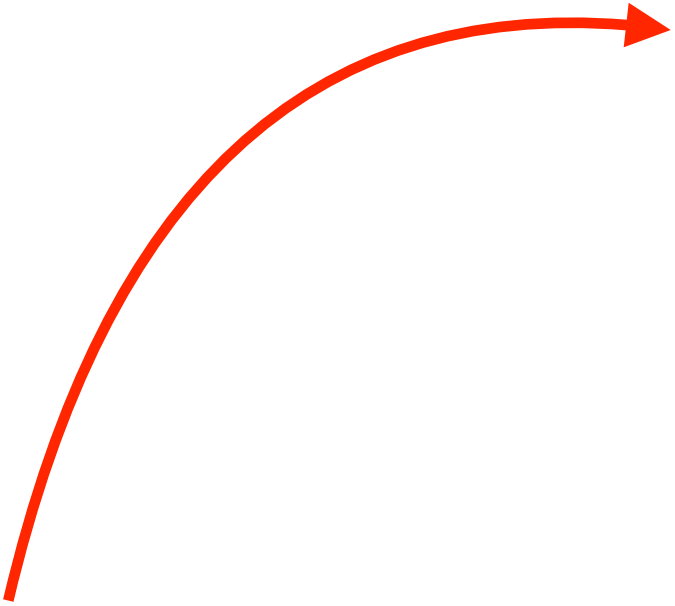
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# Determining Prices and Output: Equilibrium

