

A

E

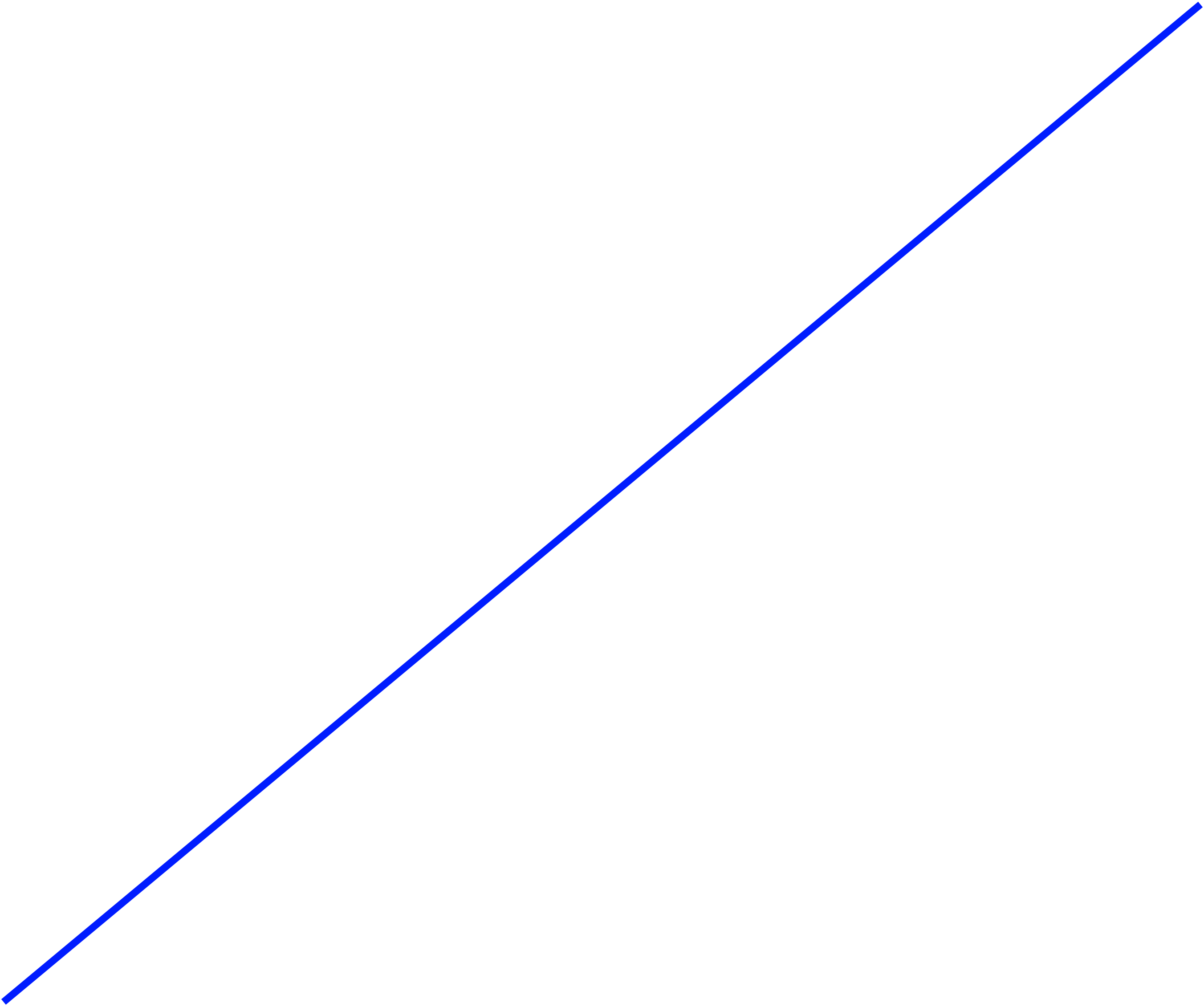


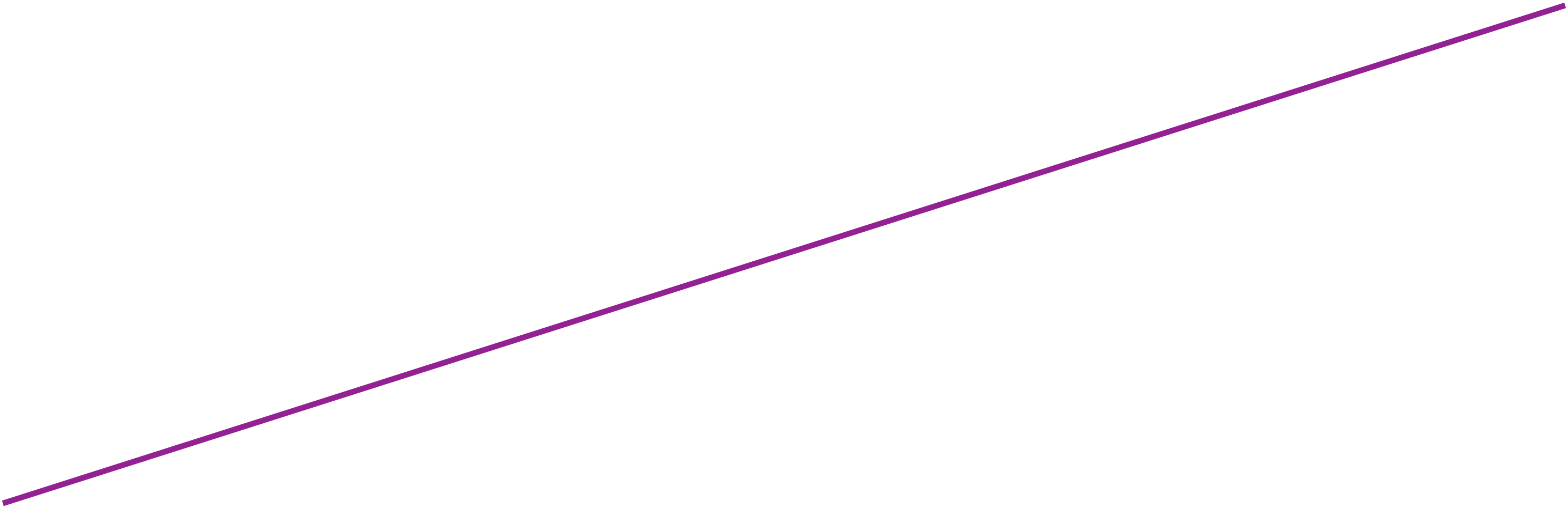
A

E

Total
Production







Equilibrium Y

AE

=

Y*



AE(above)

Y(Production)

AE(below)

Production Y (higher)



For any output level
below equilibrium

For any output level
above equilibrium



Inventories

increase

Inventories
drop





Firms will decrease production



Firms will increase production

Automatically the
economy moves to
equilibrium output

