















If the price level is 120

1. The quantity of goods supplied is equal to

2. The quantity of goods demanded is equal to

3. Inventories will	

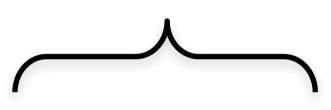
4. Firms will react to this change	in inventories by	production ar
prices.		

Produce 3000

3400 Purchase







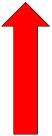
 Δ Inventories = 3000 - 3400= - 400

Decrease by 400

Increasing

increasing





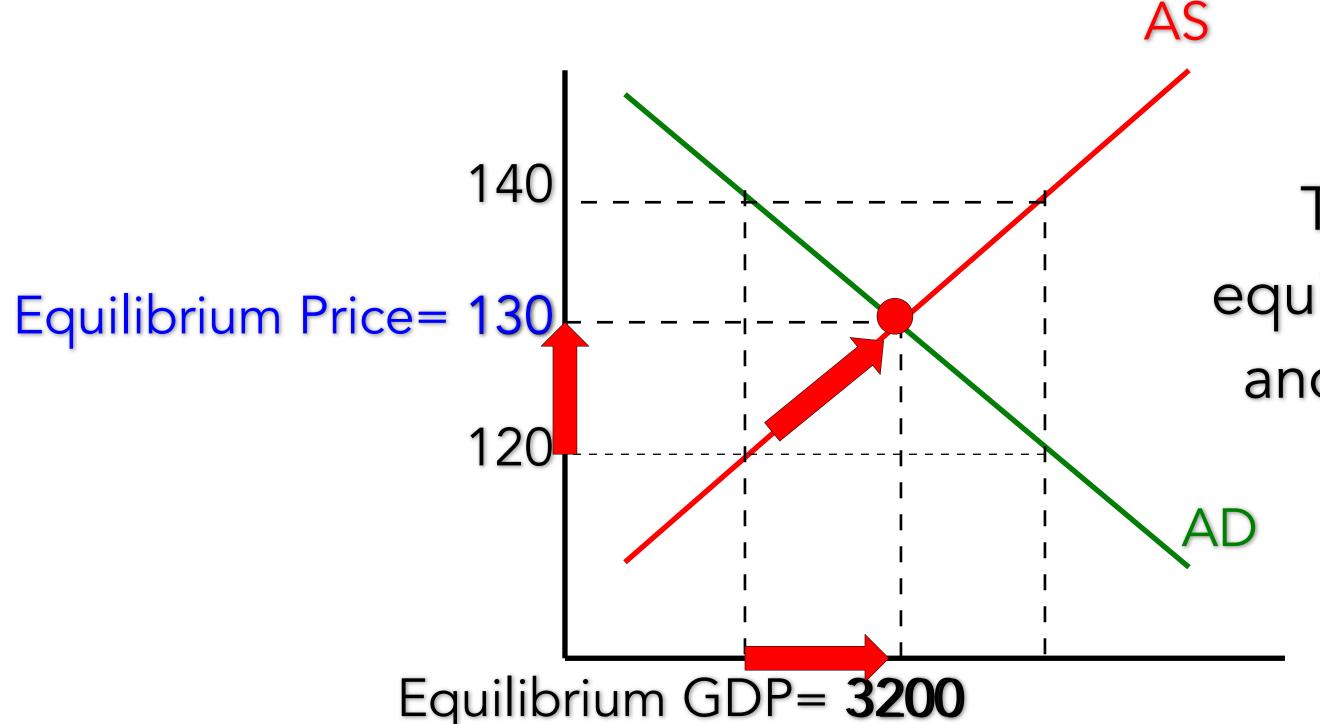




Equilibrium Price= 130

Equilibrium GDP= 3200

The Economy will remain in equilibrium with Price Level = 130 and GDP = 3,200 until an event shifts either AS or AD



The Economy will remain in equilibrium with Price Level = 130 and GDP = 3,200 until an event shifts either AS or AD

If the price level is 120

- 1. The quantity of goods supplied is equal to 3000
- 2. The quantity of goods demanded is equal to $\frac{3400}{}$
- 3. Inventories will _____ Decrease by 400
- 4. Firms will react to this change in inventories by <u>Increasing</u> production and <u>increasing</u> prices.

