

1. Is the economy at equilibrium?

2. TotalSpending( $\geq$   $=$   $\leq$ ) Output

3. Inventories (rise, fall, remain the same)

4. Calculate the change in inventories

5. Firms will (increase, decrease, not change) output.

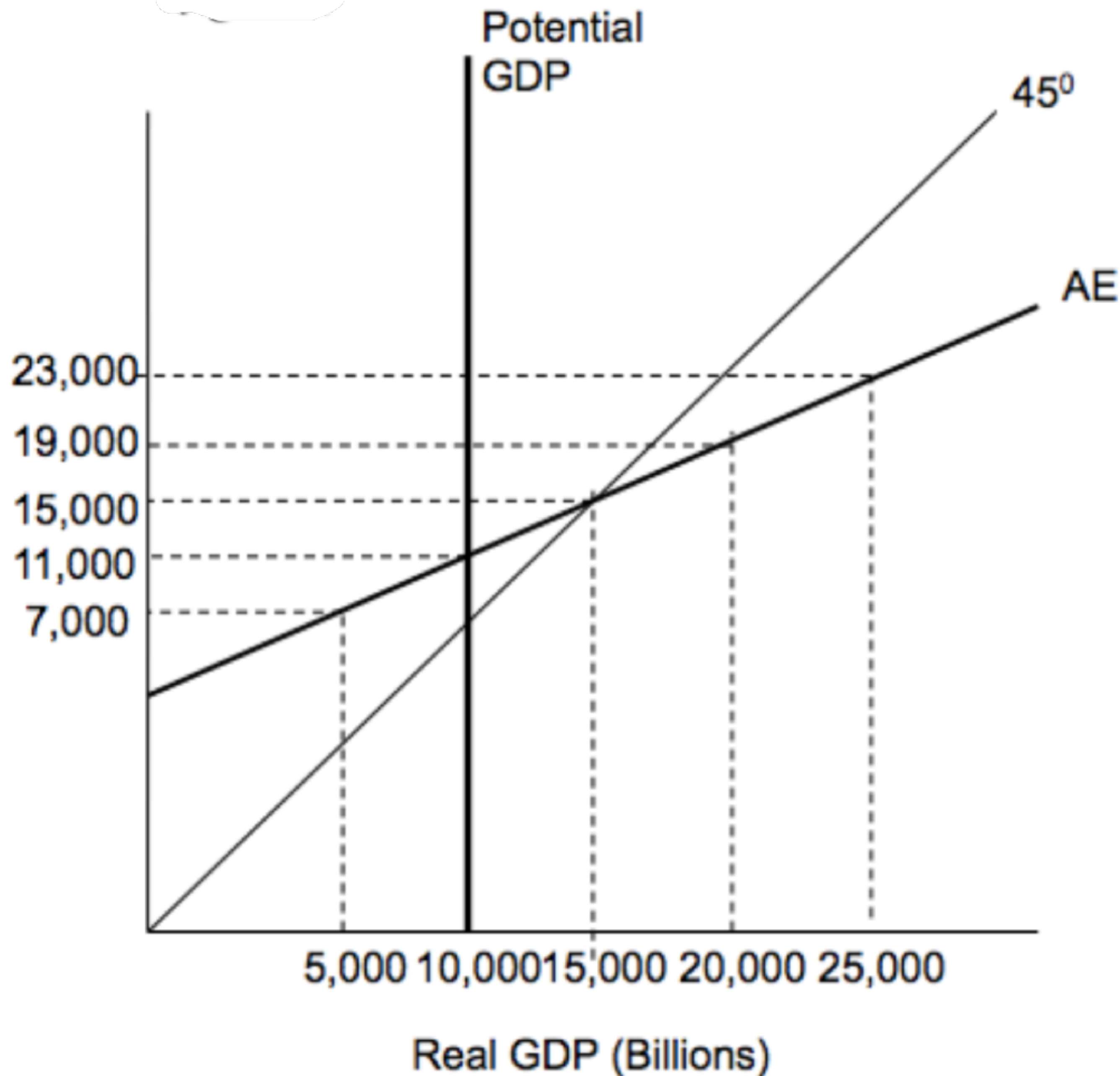
6. Once the Economy reaches equilibrium, will the economy experience a (recessionary, inflationary) gap? Size of the Gap = \_\_\_\_\_



7. At equilibrium the economy experiences (unemployment/labor shortages)

At  $Y \equiv 5,000$

Real Expenditures  
(Billions)



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At  $Y=5,000$

Equilibrium: *Another View*