

AD

AS

Determining Price and Output: Equilibrium

Price Level
(CPI)



Real GDP

Production (AS) < Total Sales (AD)

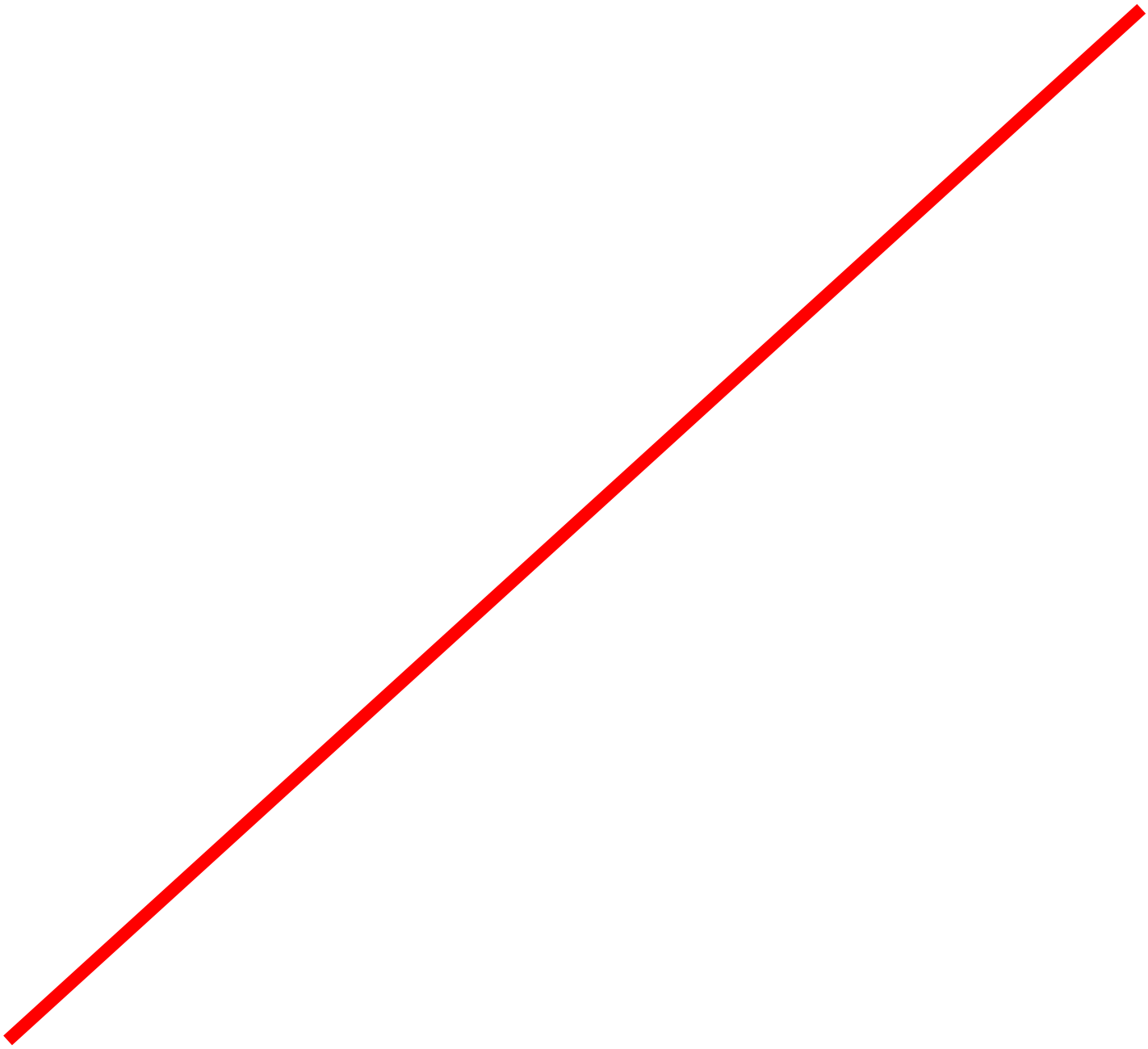
Inventories fall

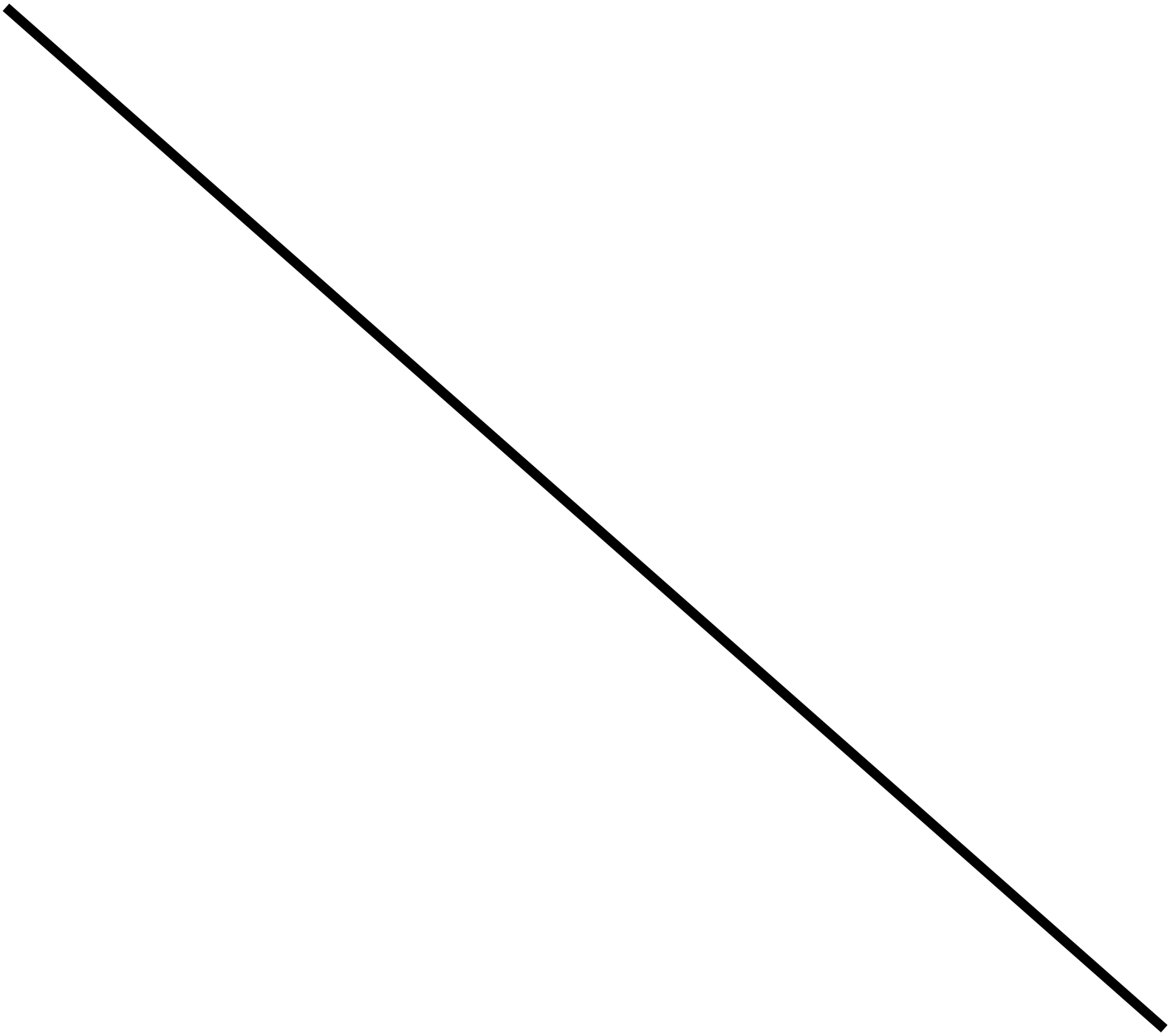
For any Price Level below P_e



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

—

—

—

—

—

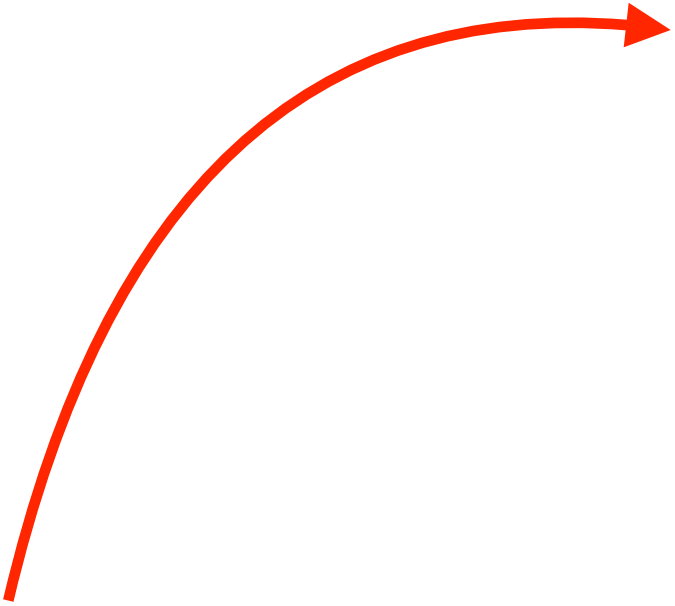
—

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



Determining Prices and Output: Equilibrium

