

1. Is the economy at equilibrium?

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

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

4. Calculate the change in inventories

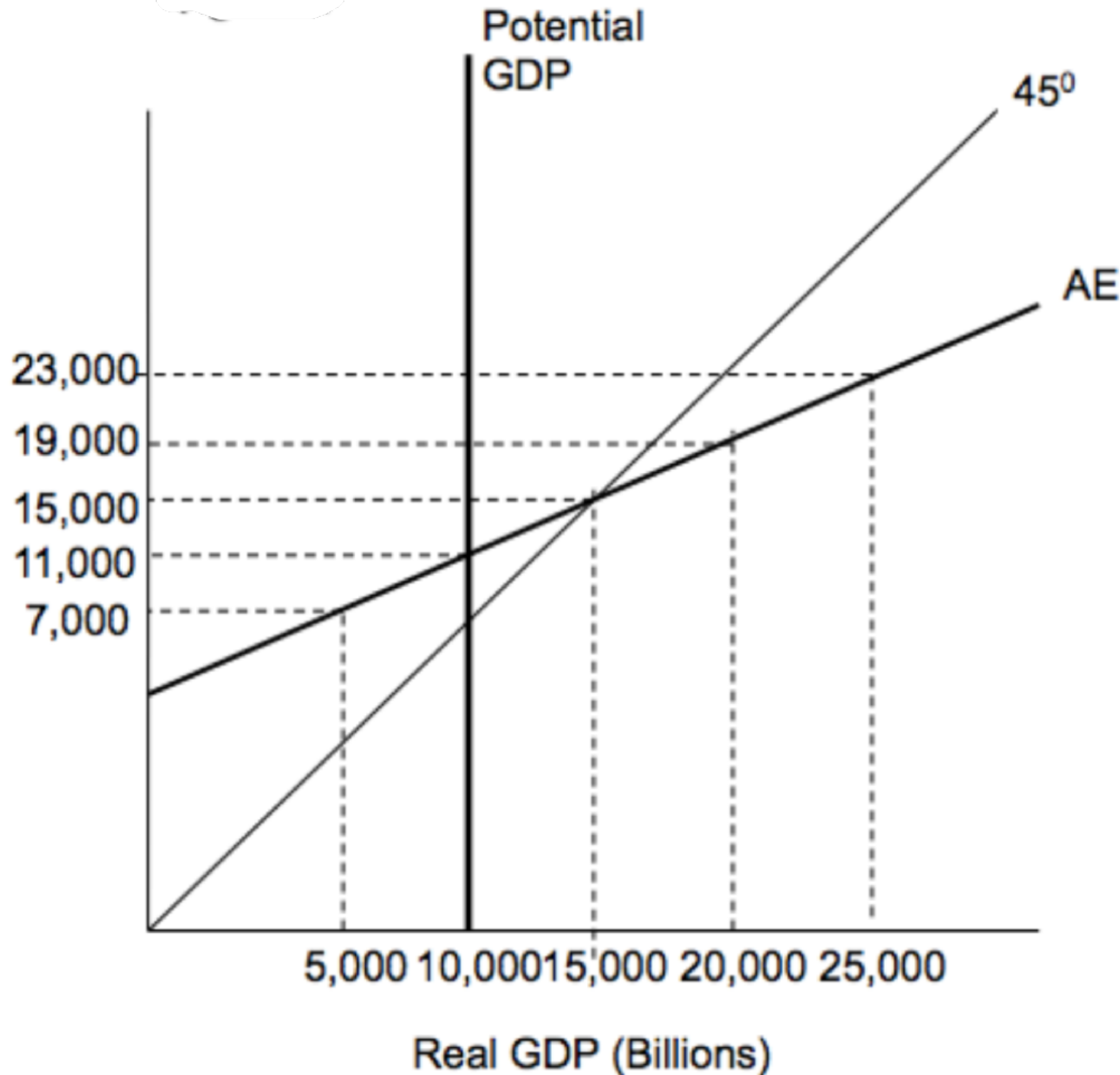
5. Firms will (increase, decrease, not change) output.

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 YY = 25,000

Real Expenditures
(Billions)



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At $Y=25,000$

Real Expenditures
(Billions)

23,000
19,000
15,000
11,000
7,000

5,000 10,000 15,000 20,000 25,000

Real GDP (Billions)

Potential
GDP

45°

AE

