



Equilibrium

We say the economy is “at **Equilibrium**” when there is no reason for firms  
to change the amount produced

When firms are unable  
to sell all they  
produced, their  
inventories rise and  
they react by  
decreasing production

When firms sold more than they currently produced, they sold goods that were in inventory: their **inventories fall** and they react by **increasing production**

When firms sell **exactly** what they produced,  
their **inventories do not rise or fall** they  
have no reason to **change production**

# Equilibrium

When firms are unable to sell all they produced, their **inventories rise** and they react by **decreasing production**

When firms sold more than they currently produced, they sold goods that were in inventory: their **inventories fall** and they react by **increasing production**

We say the economy is “at **Equilibrium**” when there is no reason for firms to change the amount produced

When firms sell **exactly** what they produced, their **inventories do not rise or fall** they have no reason **to change production**

