









AS

AD

1

2

0

130

140

3000



32000

34000

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 and _____ prices.



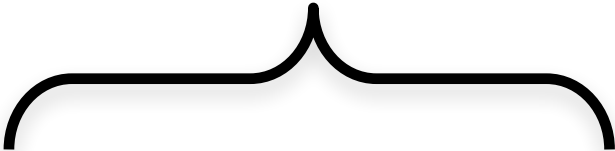
Produce 30000

34400 Purchases





120



$$\Delta \text{Inventories} = 3000 - 3400 = -400$$

3000

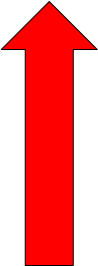
3400

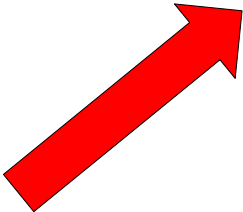
Decrease by 4000

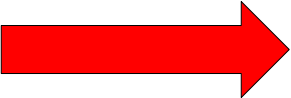
Increasing

increasing





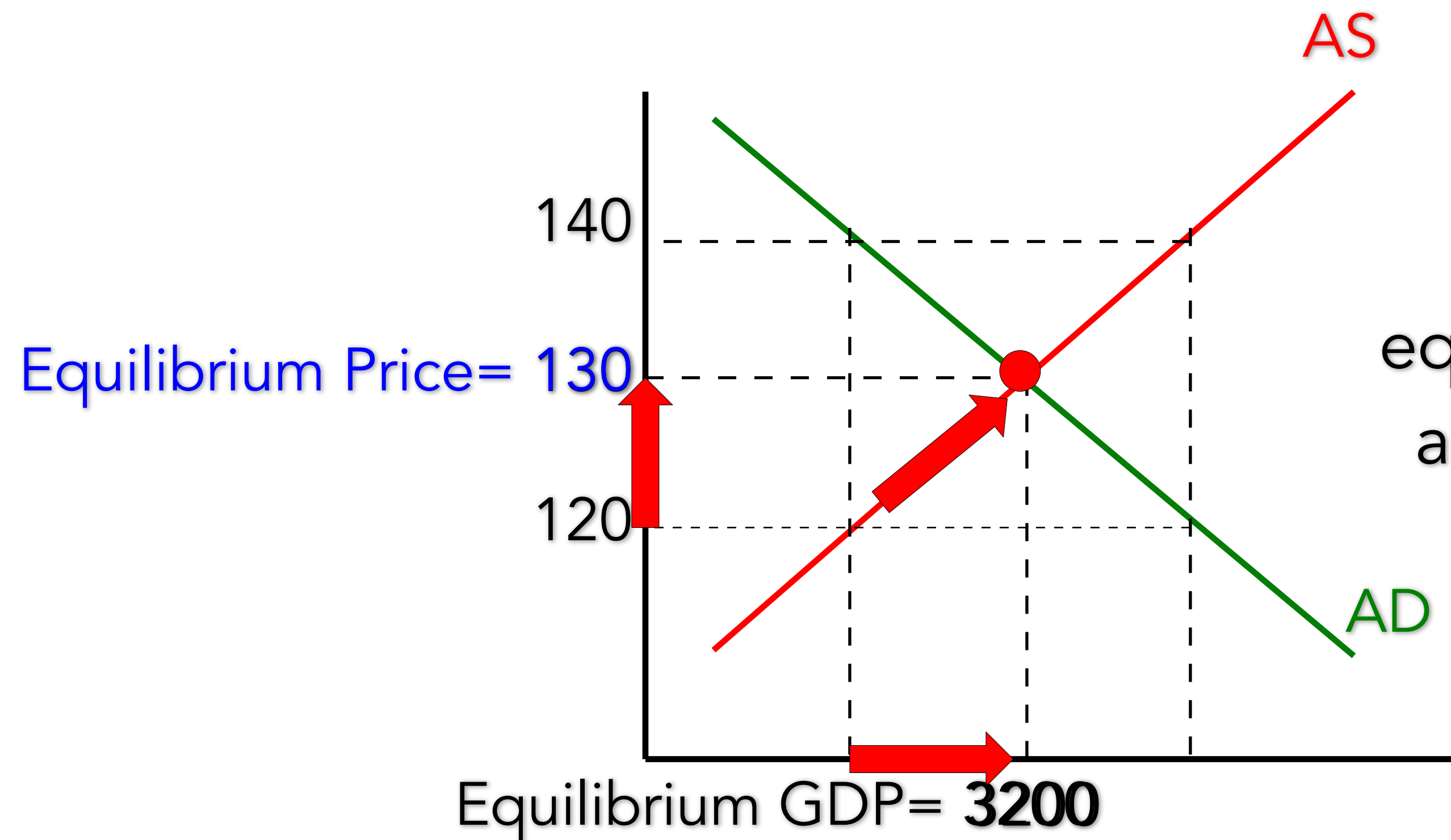




Equilibrium Price = 130

Equilibrium $\Delta G_{DP} = 3200$

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 3400
3. Inventories will Decrease by 400
4. Firms will react to this change in inventories by Increasing production and increasing prices.

