

1. What is the question (of paper)?
 - a. What features of a economy make inventory possible exist and it is reasonable?
 - b. How firms get credit from others when existence of inventory accompanies the uncertain payoffs of firms?
 - c. Does nominal or real interest rates have any impact on inventory investment in this environment?
2. Why should we care about it?

High uncertainty in transaction may generate more inventories, it may reduce the willingness of firms to invest in production operation, so it would damage the strength of economic development, we have to figure it out.

It is also important for us to know how the financial intermediaries play their roles.
3. What is the author's answer?
 - a. Real interest rate seems to have some effects on inventories. Government may play a crucial role in improving allocation or efficiency.
 - b. Entrepreneurs seems to have incentives to hold on liquid assets (fiat money) no matter how huge the monitoring cost is.
4. What's the implications of the answer? What do we learn from the paper?
 - a. Both inventories and money (income) may involve the issues about precautionary behavior.
 - b. The role of consumer should be important to discuss the issues related to business cycle.
 - c. The roles of different types of inventories may possess quite different effects in the production activities
 - d. Precautionary behavior is a crucial factor in causing the business cycle, it can generate a coordination element in spending and production which leads to greater volatility in aggregate activity