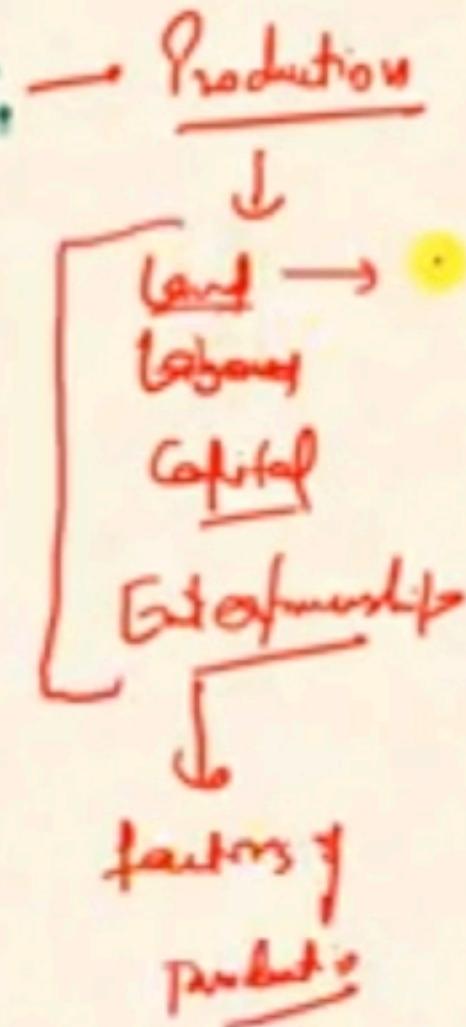




## National Income

- ✓ The value of all final goods and services produced within a given year.

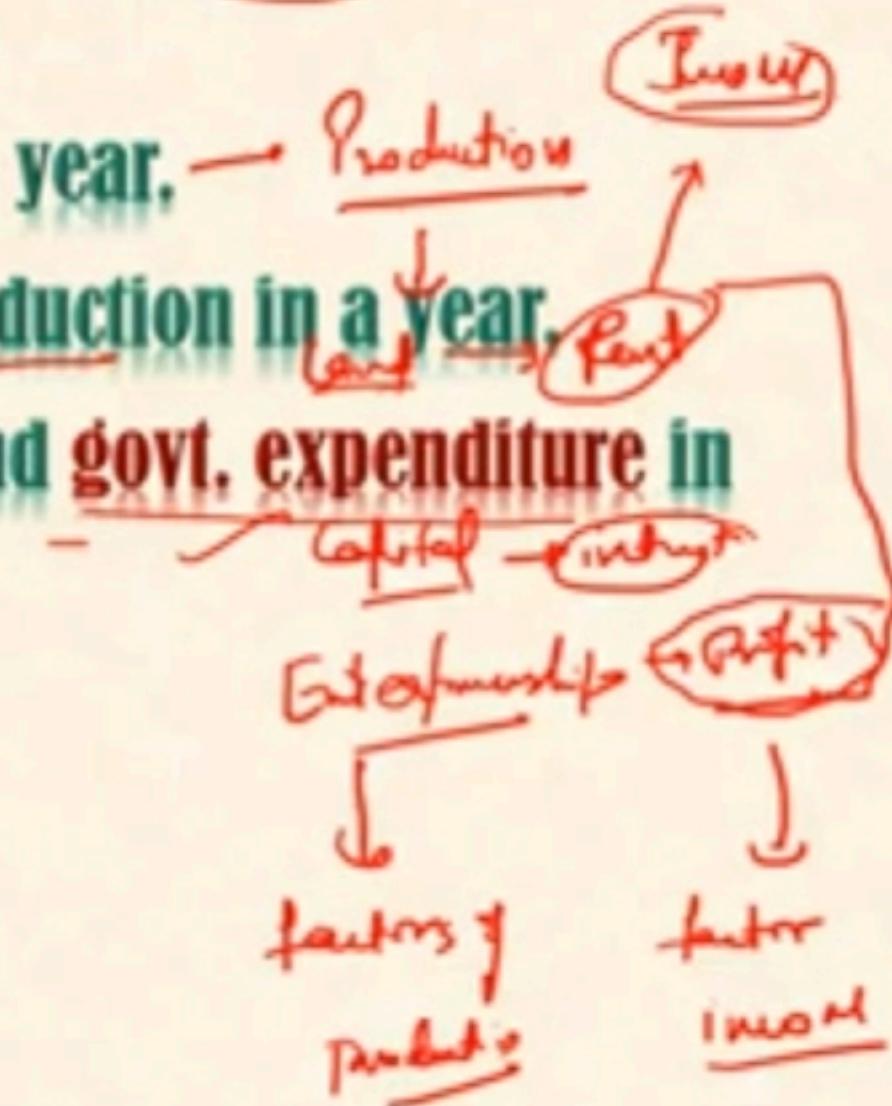




## National Income

Expenditure

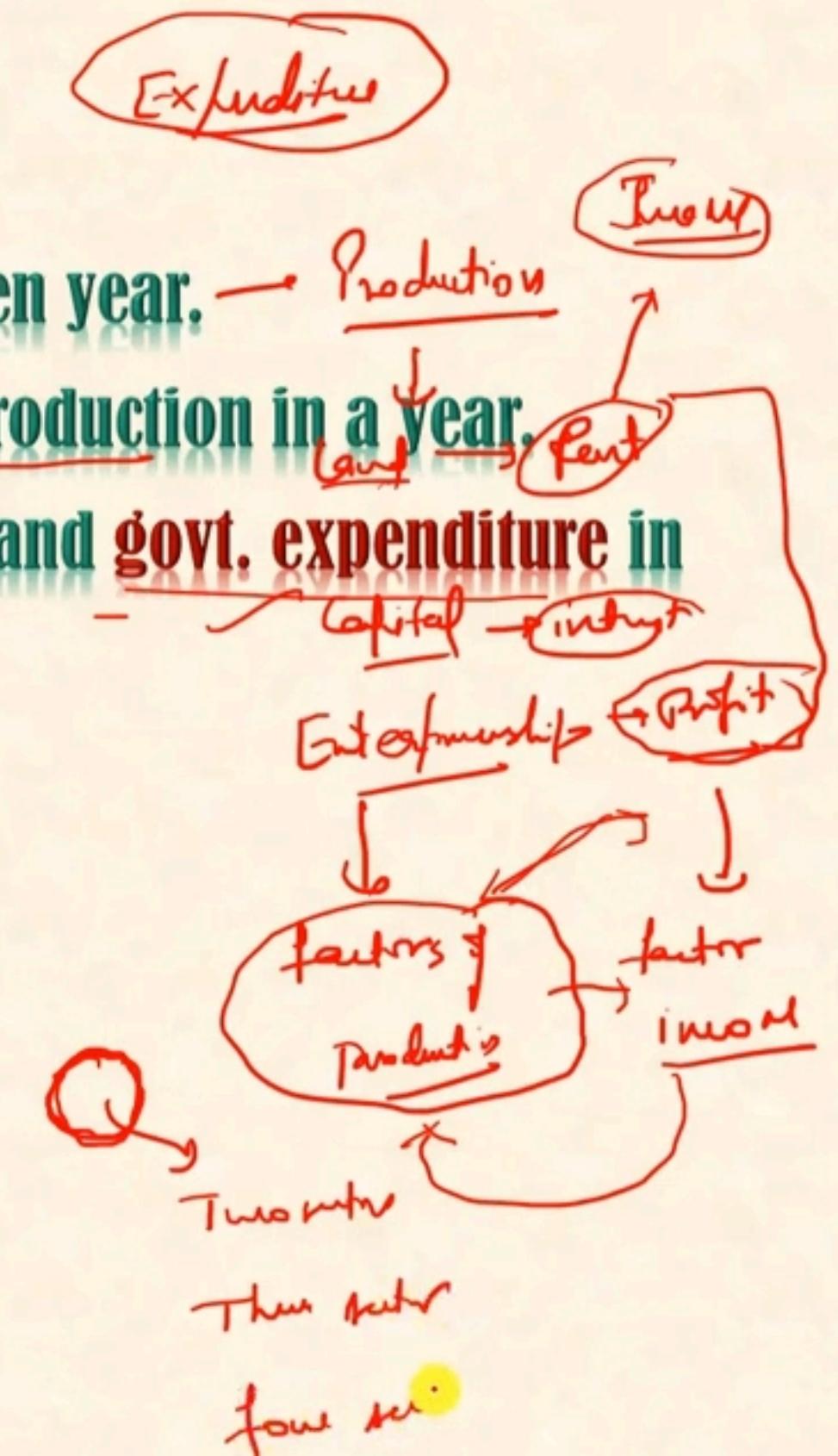
- ✓ The value of all final goods and services produced within a given year.
- ✓ The sum of all income in cash and kind, accruing to factor of production in a year.
- ✓ The sum of consumer expenditure, net investment expenditure and govt. expenditure in goods and services.





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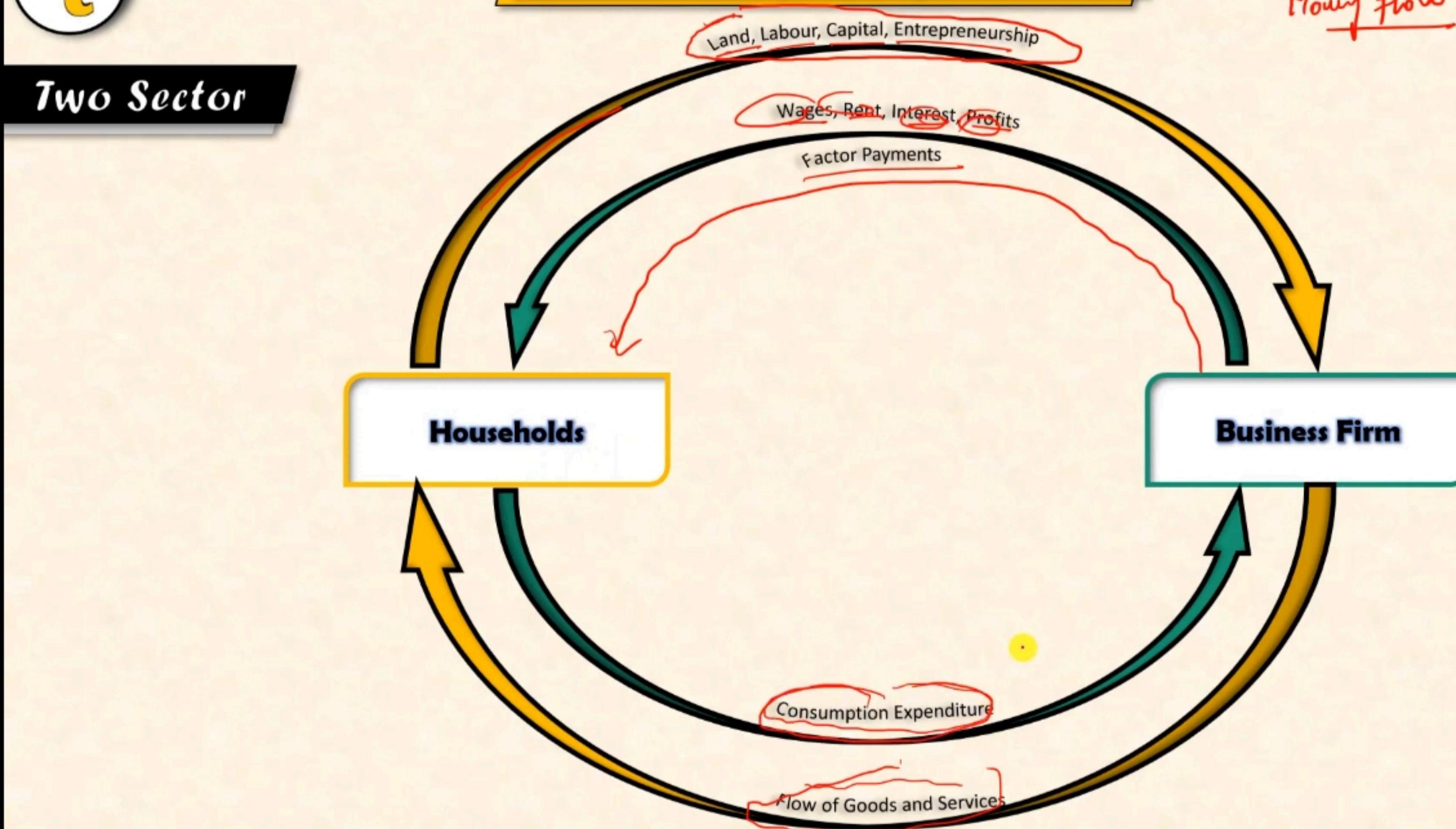




## Circular flow of income

Physical flows  
Money flows

Two Sector



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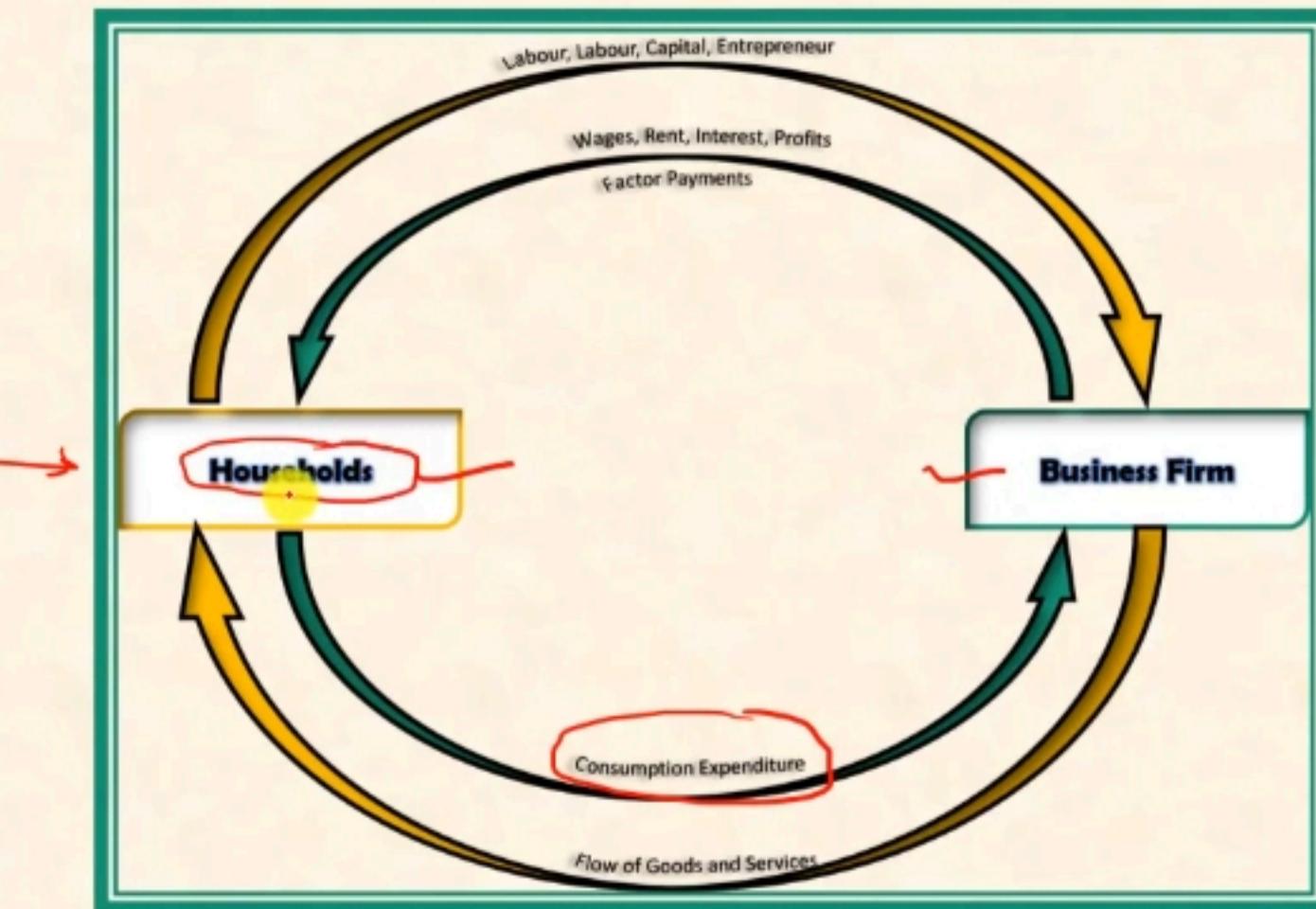
# Circular flow of income

## Two Sector

### Assumptions:

- ✓ Neither households save from their incomes, nor the firms save from their profits.
- ✓ Govt. does not play any part in the economy.
- ✓ Economy doesn't Import or Export anything.

→ *forwards  
curve*





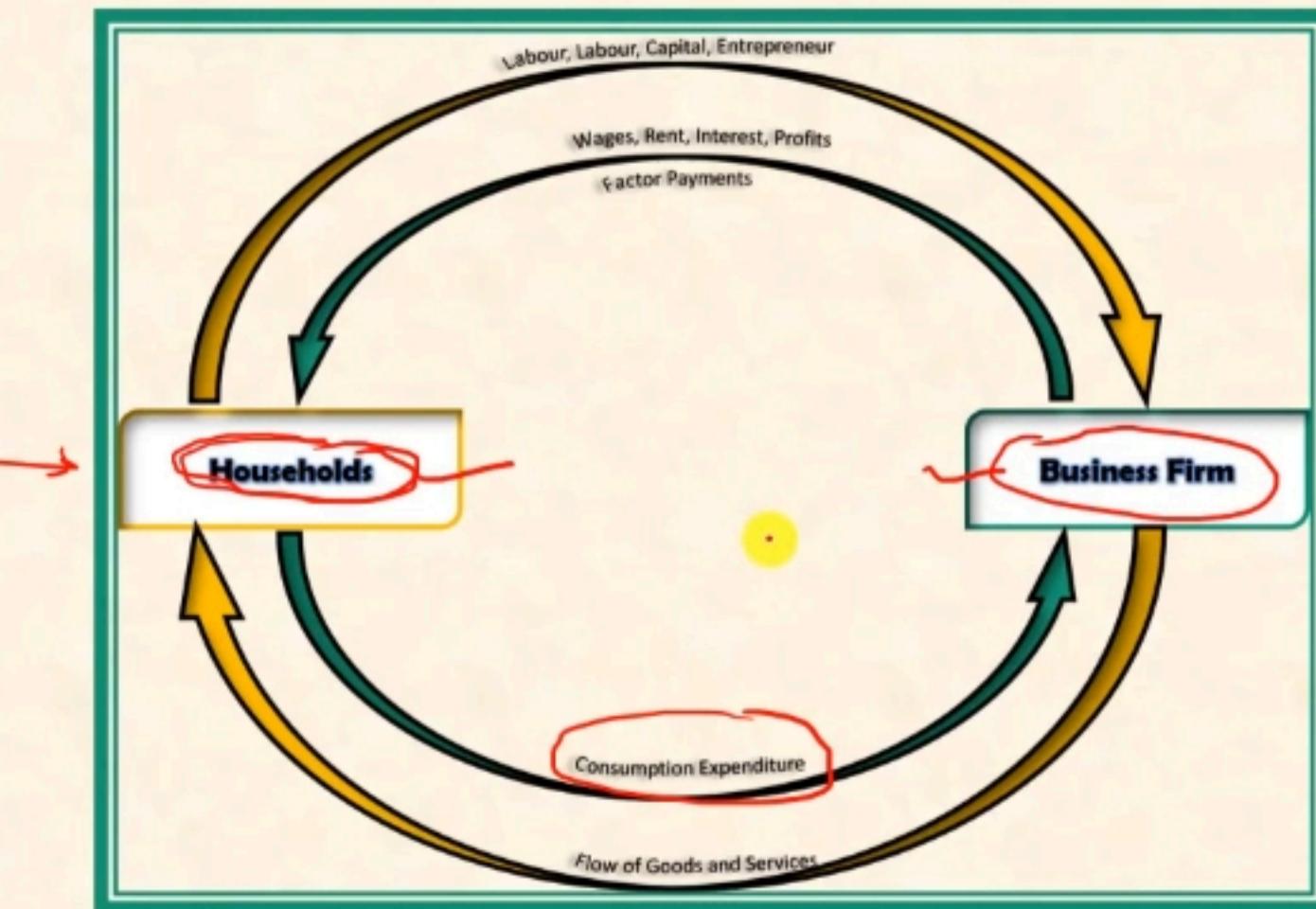
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*less Production  
overflog  
less demand →  
decreas*





# Circular flow of income

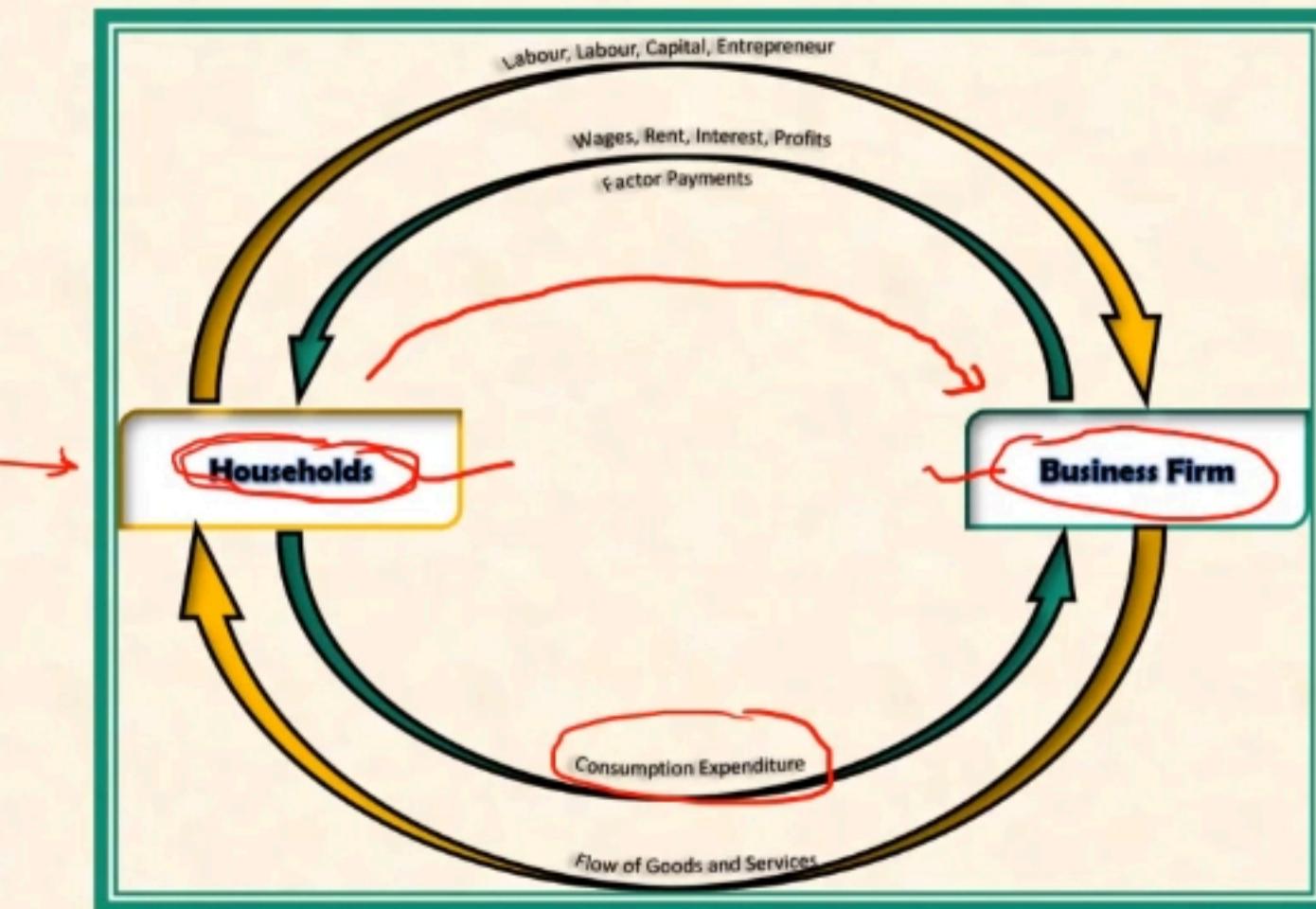
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Saving leakage

→ forward shift  
injection investment



Less Production  
Overflop goes  
Less Demand →  
Demand





# Circular flow of income

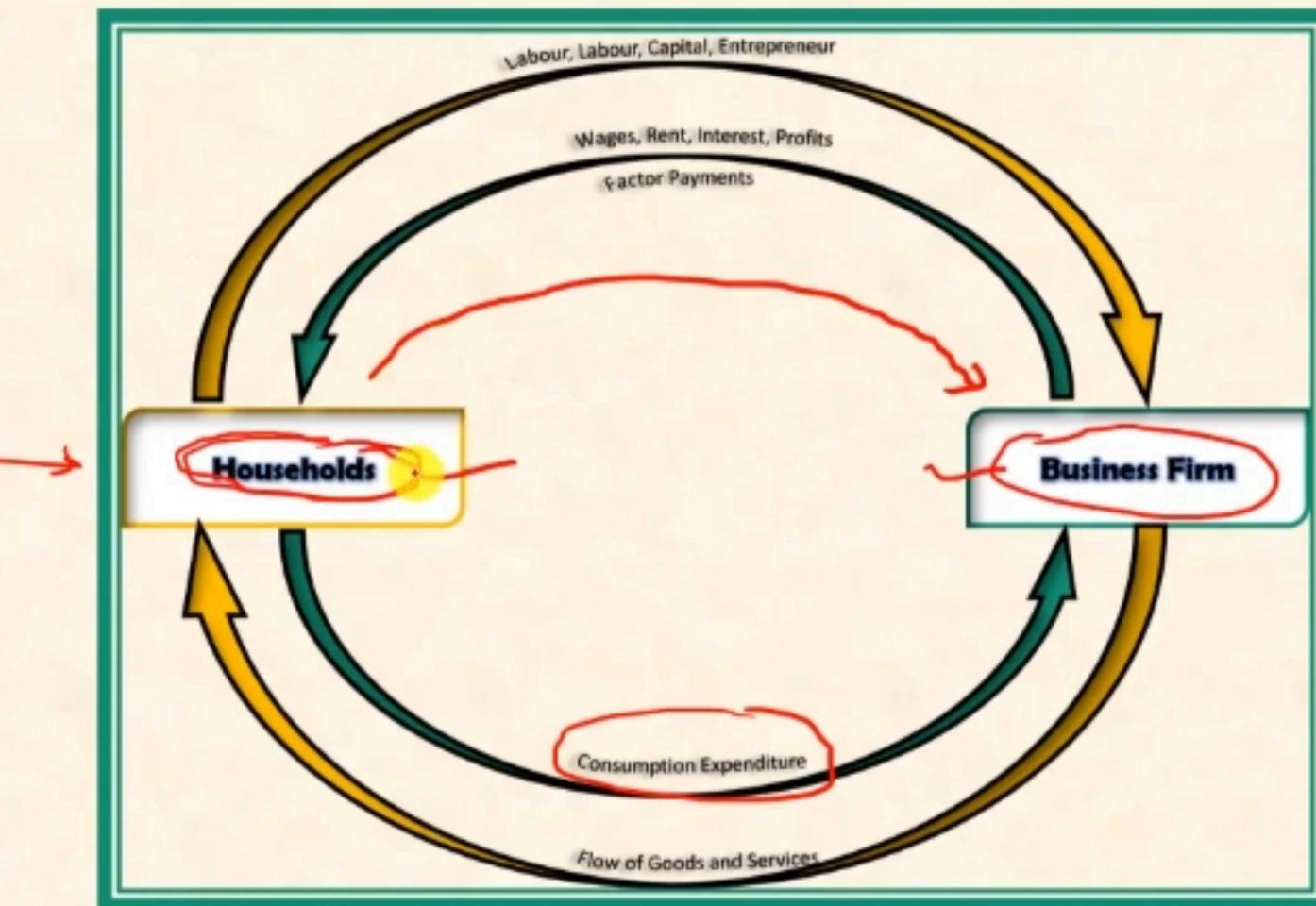
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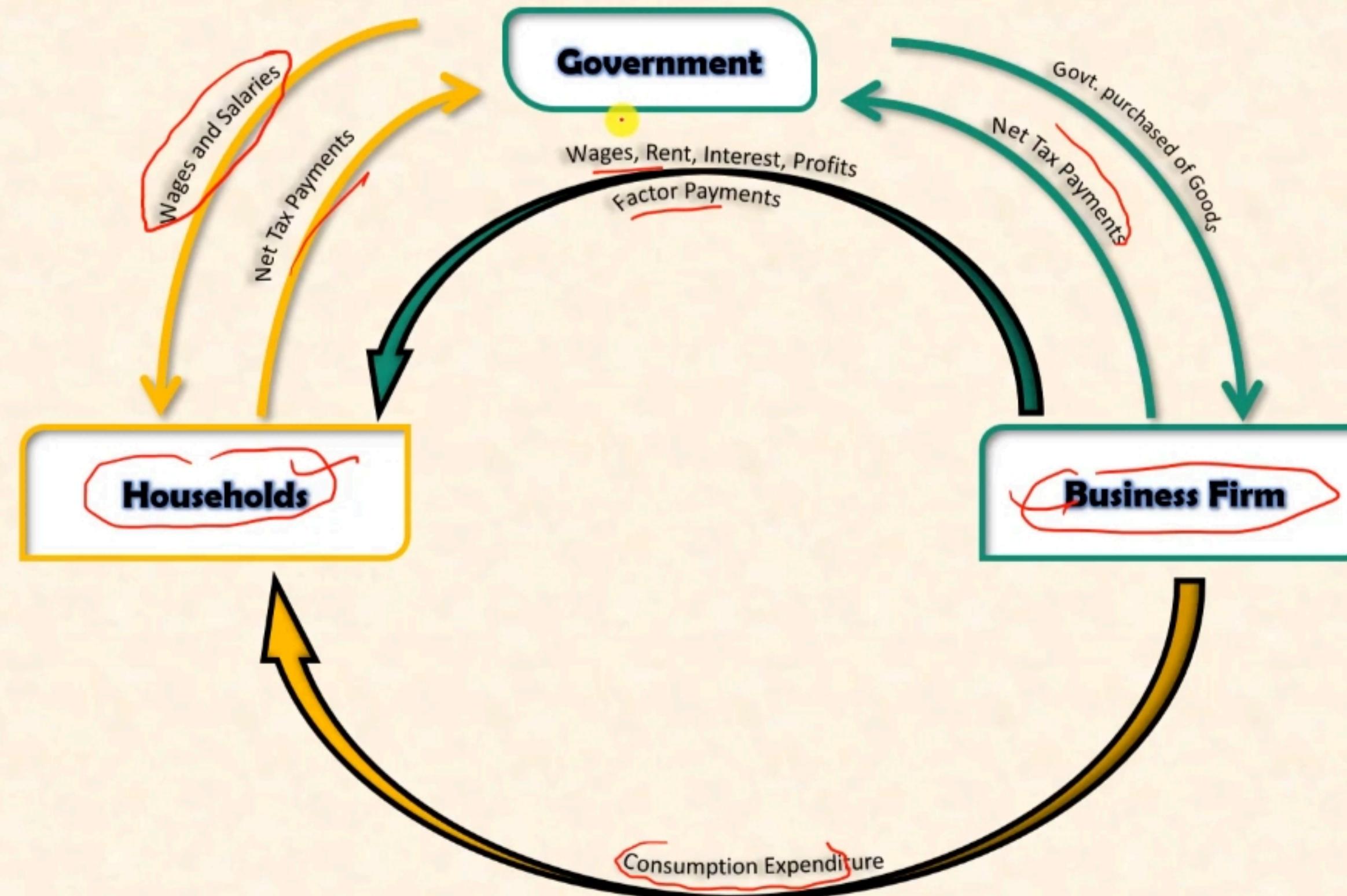
Less Production  
Overflop just  
less demand →  
Demand





## Circular flow of income

Three Sector





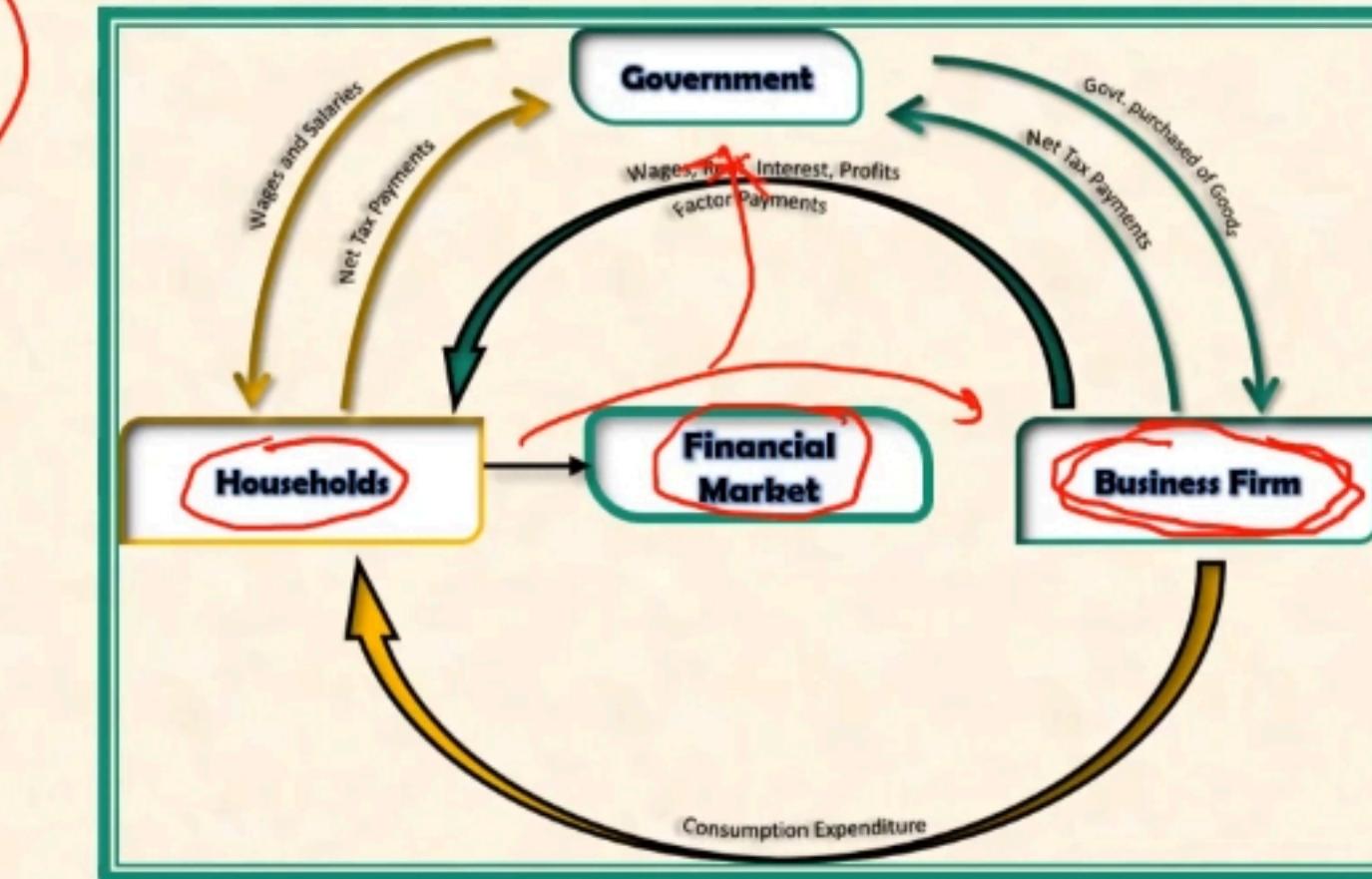
## Circular flow of income

### Three Sector

$$T + I + G = K + S + T$$

$$I + G = S + T$$
$$G - T = S - I$$

Govt.  
intert rate  
Crowding out effect





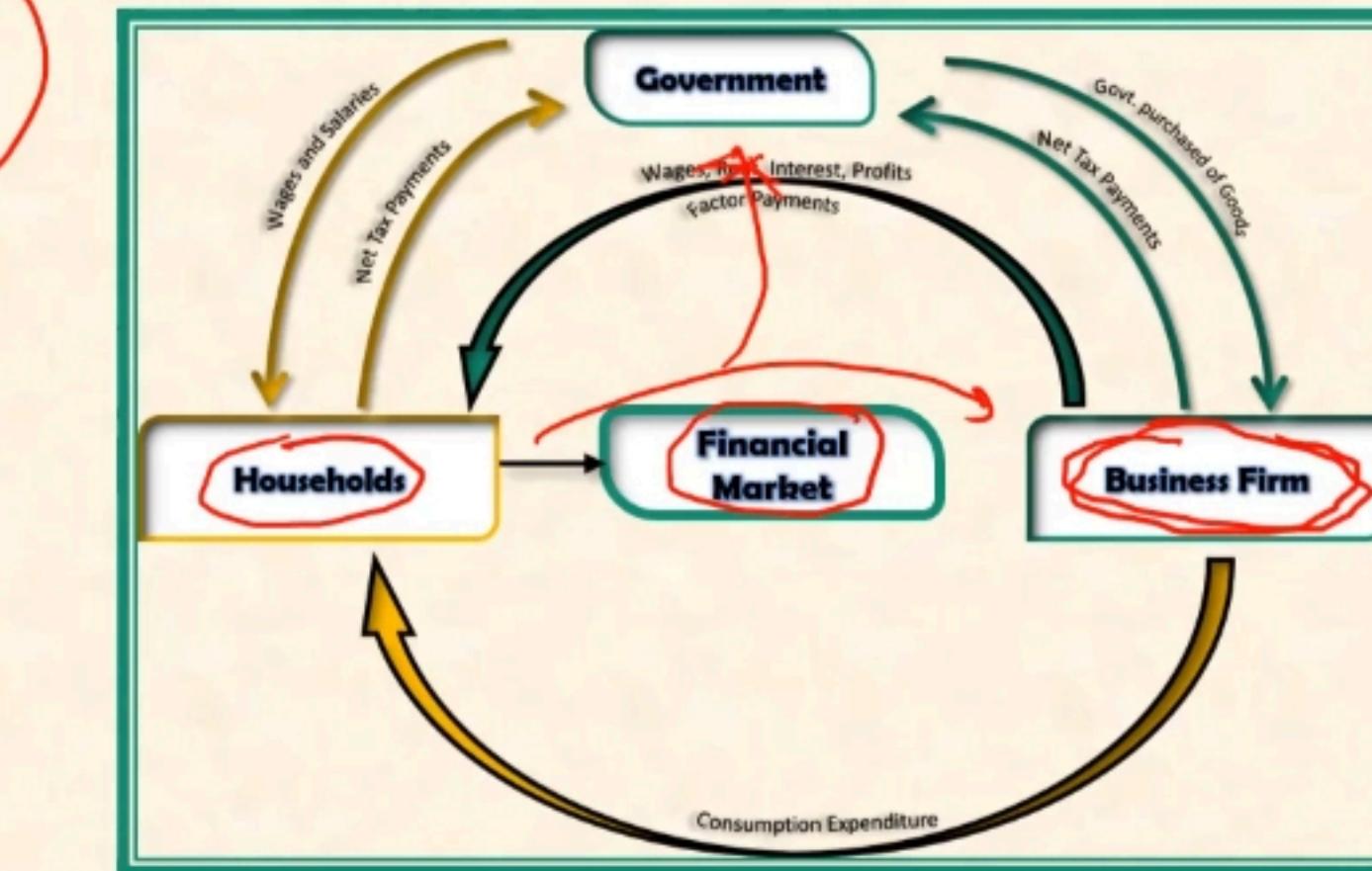
# Circular flow of income

## Three Sector

$$T + I + G = K + S + T$$

$$\begin{aligned} I + G &= S + T \\ G - T &= S - I \end{aligned}$$

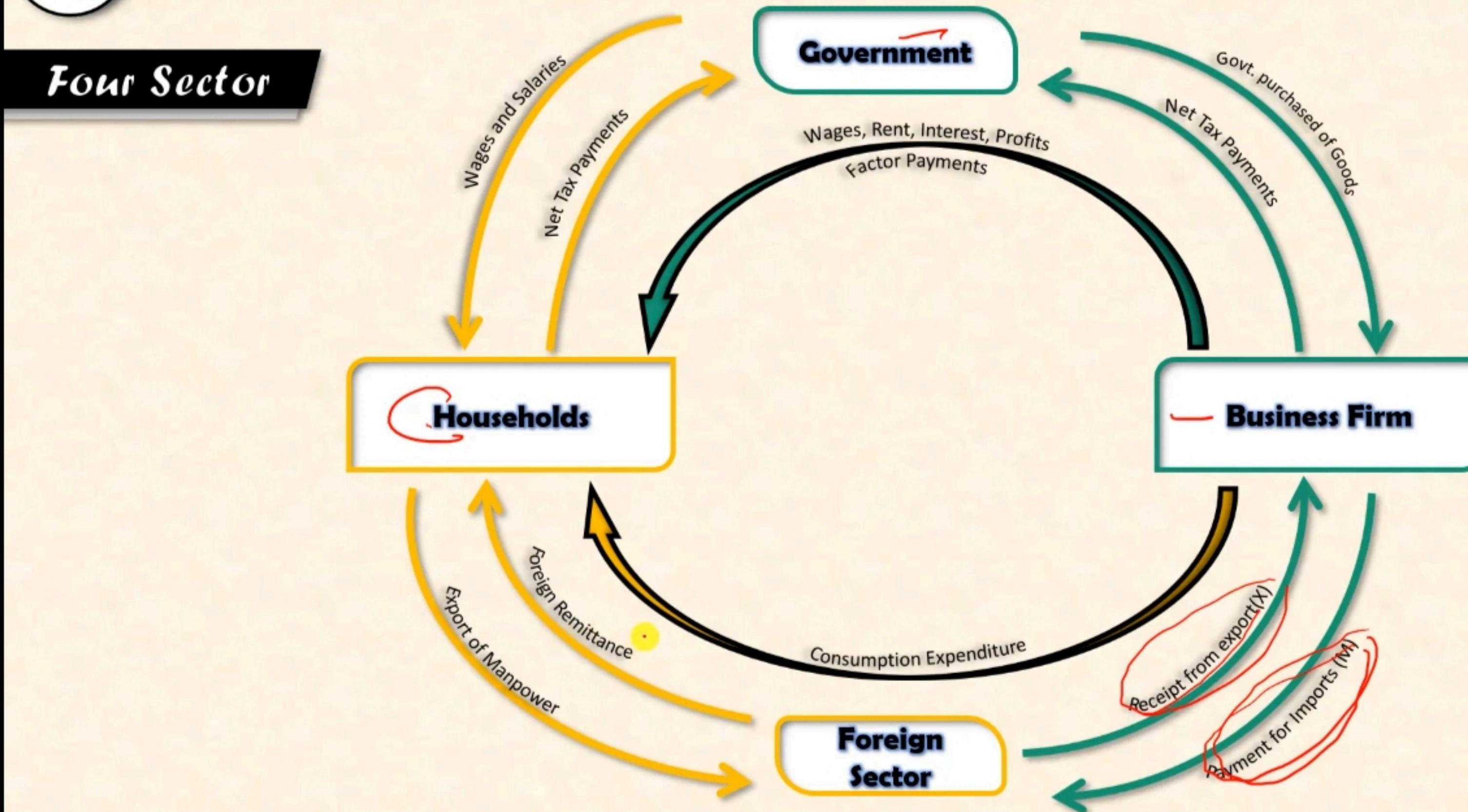
Govt.  
intert rate  
Crowding out effect





## Circular flow of income

Four Sector

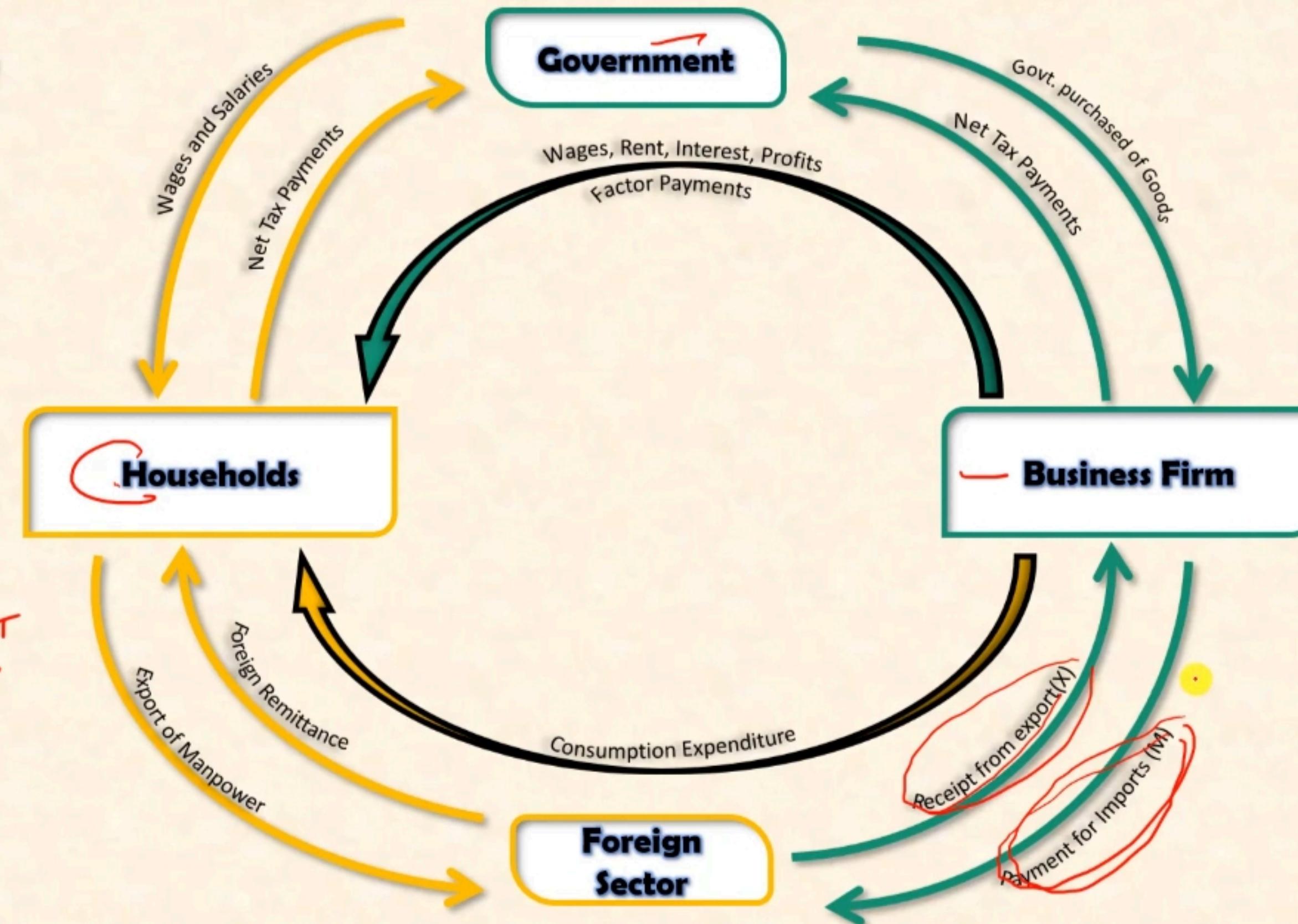




## Circular flow of income

### Four Sector

$$\begin{aligned} & (X-M) \\ & = C + I + G + NX \\ & = C + S + T \end{aligned}$$





## Circular flow of income

### Four Sector

$$\begin{aligned} & (X-M) \\ & = C + I + G + NX \\ & = C + S + T \end{aligned}$$

