**2.6. National Income**

1. National Income

a) The circular flow of income.

b) The distinction between income and wealth.

2. Injections and Withdrawals

a) The distinction between injections and withdrawals.

b) Injections:

• investment

• government expenditure

• exports.

c) Withdrawals:

• savings

• taxation

• imports.

d) The impact of net injections into, and net withdrawals from, the circular flow of income.

3. Equilibrium Level of Real Output

a) The concept of equilibrium level of real national output.

b) Causes of changes in equilibrium real national output, as a result of shifts in AD and/or AS curves.

4. The Multiplier

a) The multiplier and multiplier process.

b) Marginal propensities and their effects on the multiplier:

• the marginal propensity to consume (MPC)

• the marginal propensity to save (MPS)

• the marginal propensity to tax (MPT)

• the marginal propensity to import (MPM).

c) Calculations of the multiplier using the formula 1/(1-MPC) and 1/MPW, where MPW = MPS + MPT + MPM.

d) The significance of the multiplier for shifts in AD and the level of economic activity.