

Lesson 2: Aggregate Demand, Aggregate Supply and Equilibrium: Part 1 (Fundamental Relationships)

Gross Domestic Product (GDP)

$$\text{GDP} = C + S + T \text{ and } \text{GDP} = C + I + G + (X - M)$$

$$\text{Therefore: } C + S + T = C + I + G + (X - M)$$

$S = I + (G - T) + (X - M)$... This equation is referred to as the equality of expenditure and income.