

At equilibrium,

Leakages = Injections

S + T + N = I + G + X

Rearrange:

$$S = I + (G - T) + (X - N)$$

Savings finance



Government's
Deficit

Trade Deficit:



Investment

At equilibrium,

Leakages = Injections

$$S + T + M = I + G + X$$

Rearrange:

$$\begin{array}{l} \text{Savings finance } S \\ \text{Investment } I \\ \text{Government's Deficit } (G - T) \\ \text{Trade Deficit: } (X - M) \end{array} = I + (G - T) + (X - M)$$

Inflationary and Recessionary Gaps