AE

Total Production

Total Production (Y)

AE

$$AE = C + I + G + X - M$$

Total Production (Y)

If
Spending Leakages
are equal to
Spending Injections

Inventories Decrease

AE

Spending Injections I+G+X

larger than

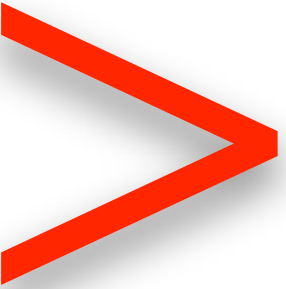
Spending Leakages S+T+M

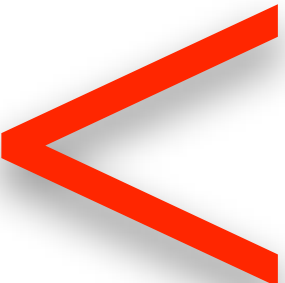
Spending Leakages S+T+M

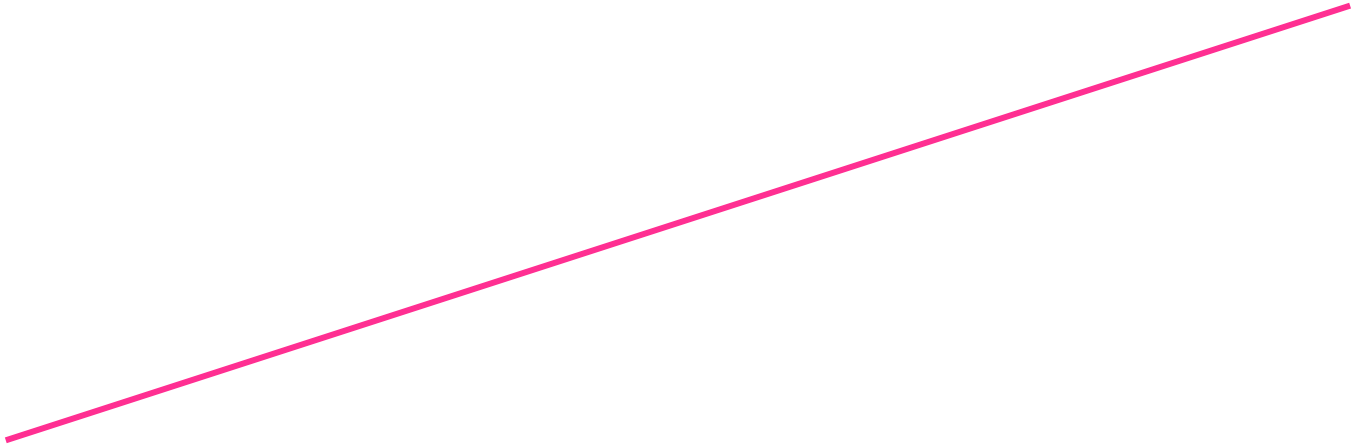
larger than

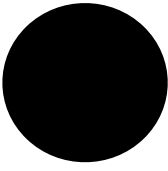
Spending Injections I+G+X

Aggregate Expenditures









Aggregate Expenditures

=

Production

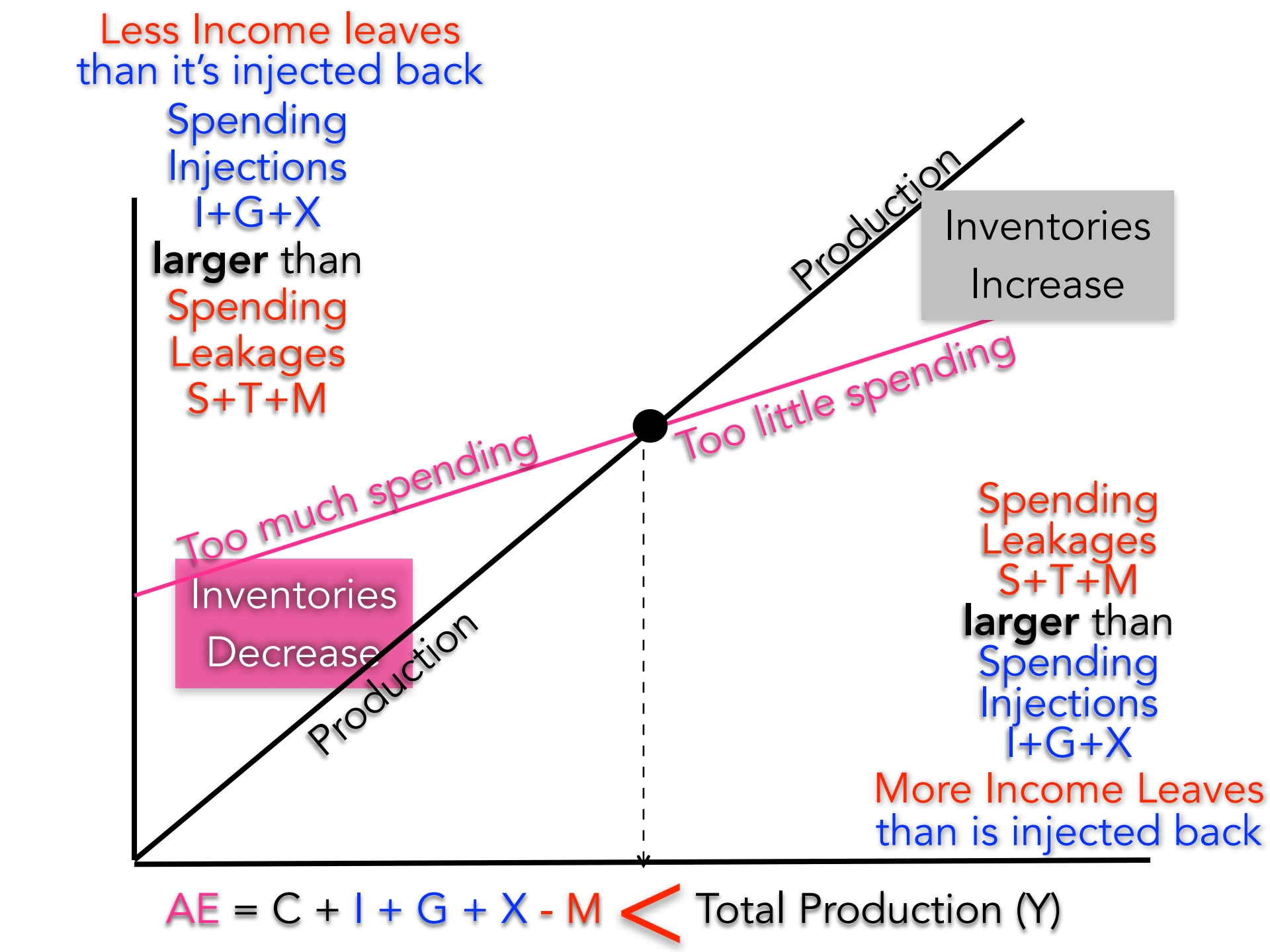
Too much spending

Too little spending

Inventories Increase

More Income Leaves than is injected back

Less Income leaves
than it's injected back


Less Income leaves than it's injected back
Spending Injections I+G+X larger than Spending Leakages S+T+M
Production
Inventories Increase
Too little spending
Too much spending
Inventories Decrease
Production
Spending Leakages S+T+M larger than Spending Injections I+G+X
More Income Leaves than is injected back
AE = C + I + G + X - M < Total Production (Y)