



**Total
Purchases**



**Total
Production**

S



T





M







G

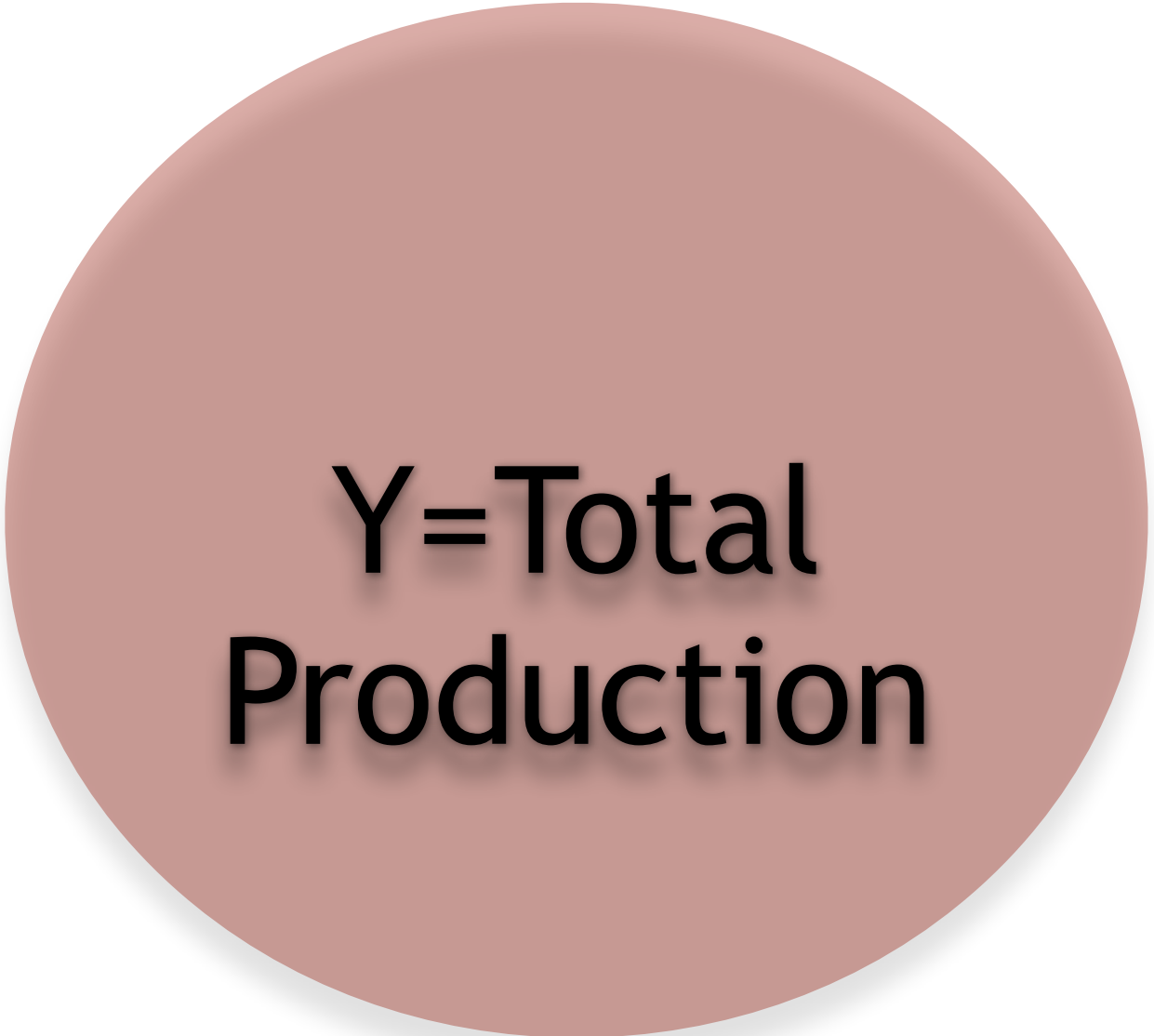









$$AE = C+I+G+NX$$

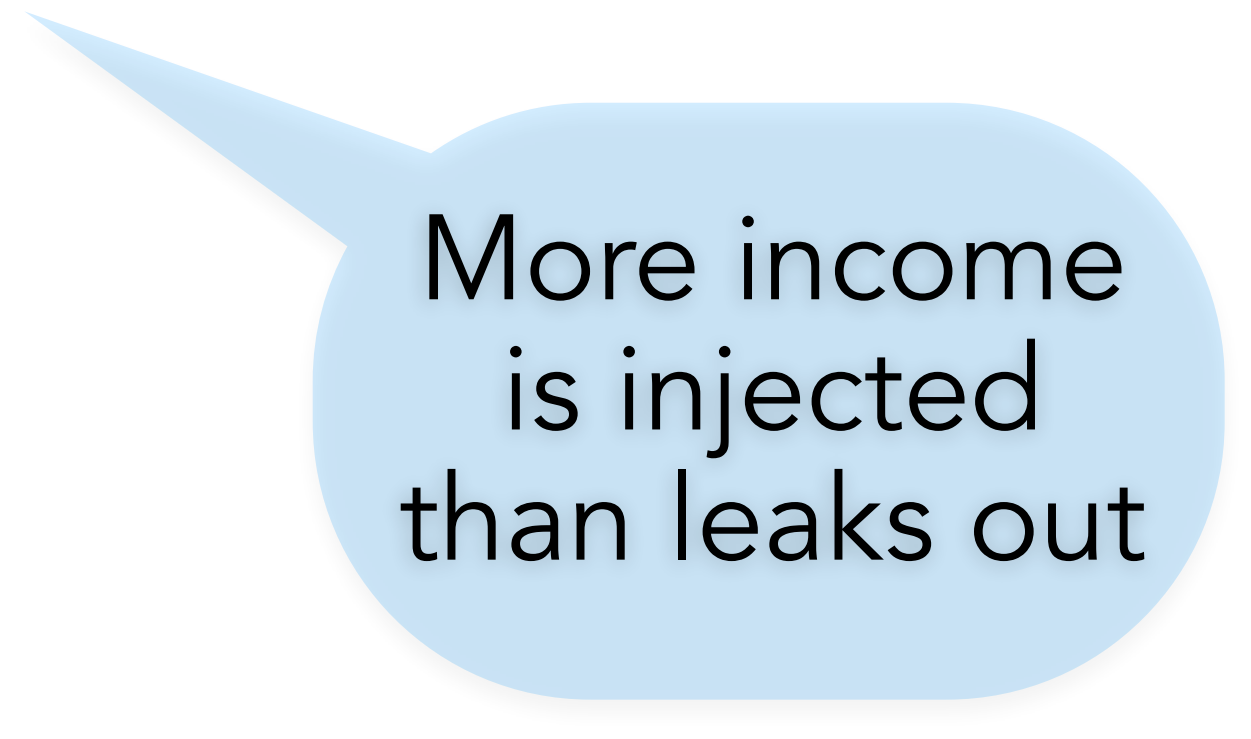


**Y=Total
Production**

Spending Leakages < Spending Injections

Savings + Taxes + Imports < Investment + Gov. Spending + Exports

Inventories decrease



More income
is injected
than leaks out

S + Tx + M < I + G + X

If

Savings + Taxes + Imports < Investment + Gov. Spending + Exports

$$S + Tx + M < I + G + X$$

Spending Leakages < Spending Injections

More income
is injected
than leaks out

$$AE = C + I + G + NX$$

>

Y = Total
Production

Inventories decrease

