





**Total  
Purchases**



**Total  
Production**

S



**T**





M









G





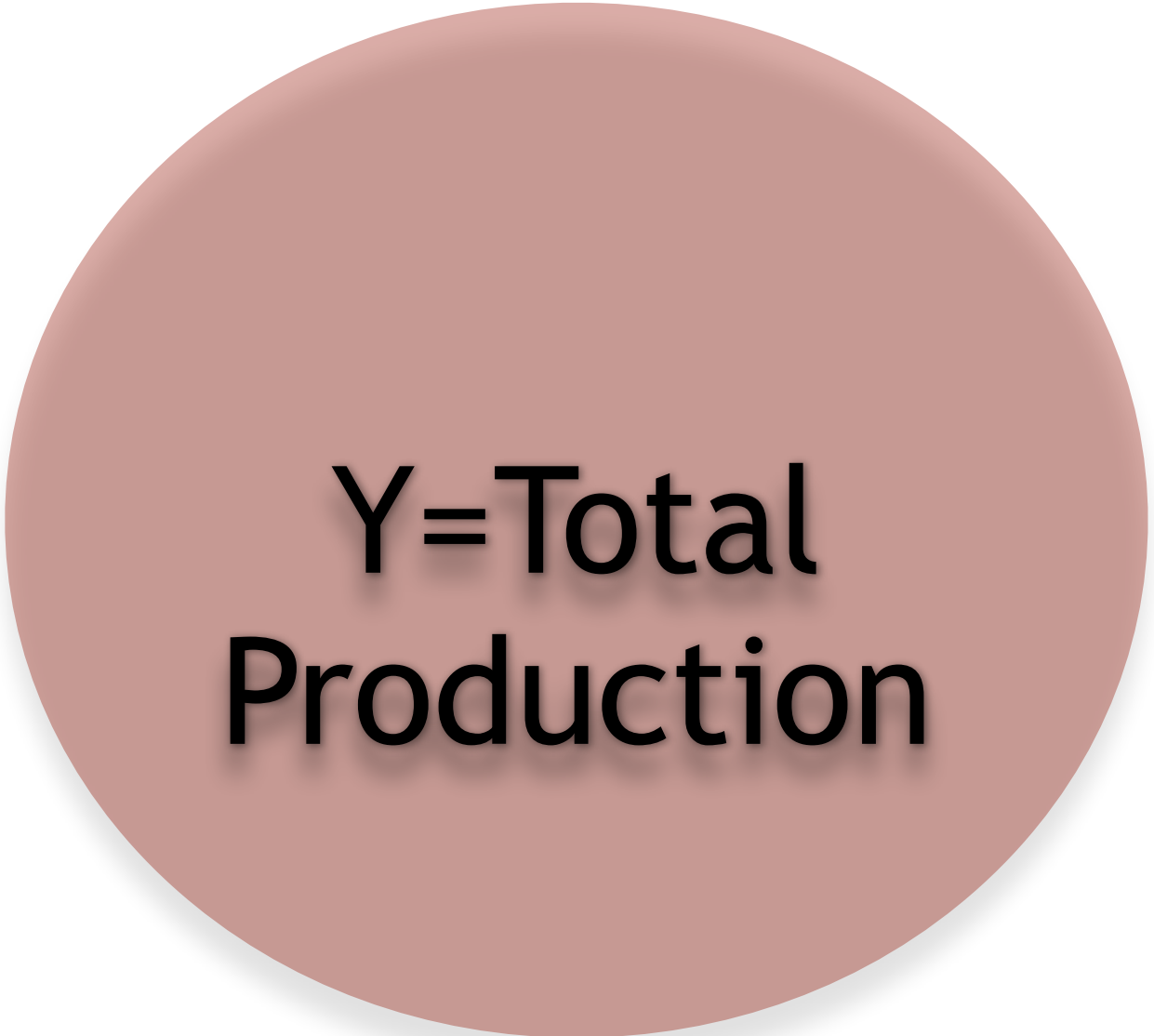


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$$AE = C + I + G + NX$$

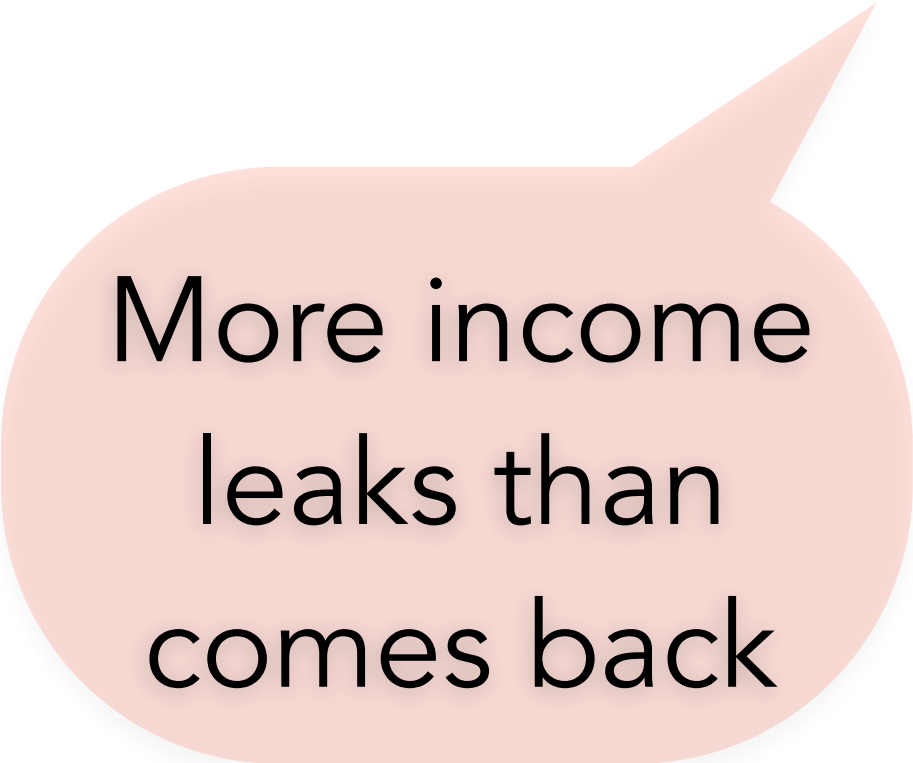


$Y = \text{Total Production}$

Spending Leakages > Spending Injections

**Savings + Taxes + Imports > Investment + Gov. Spending + Exports**

Inventories **increase**



More income  
leaks than  
comes back

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  
leaks than  
comes back

$AE = C + I + G + NX$

<

Y = Total  
Production

Inventories increase

If