



**Total
Purchases**



**Total
Production**

S



T





M







G



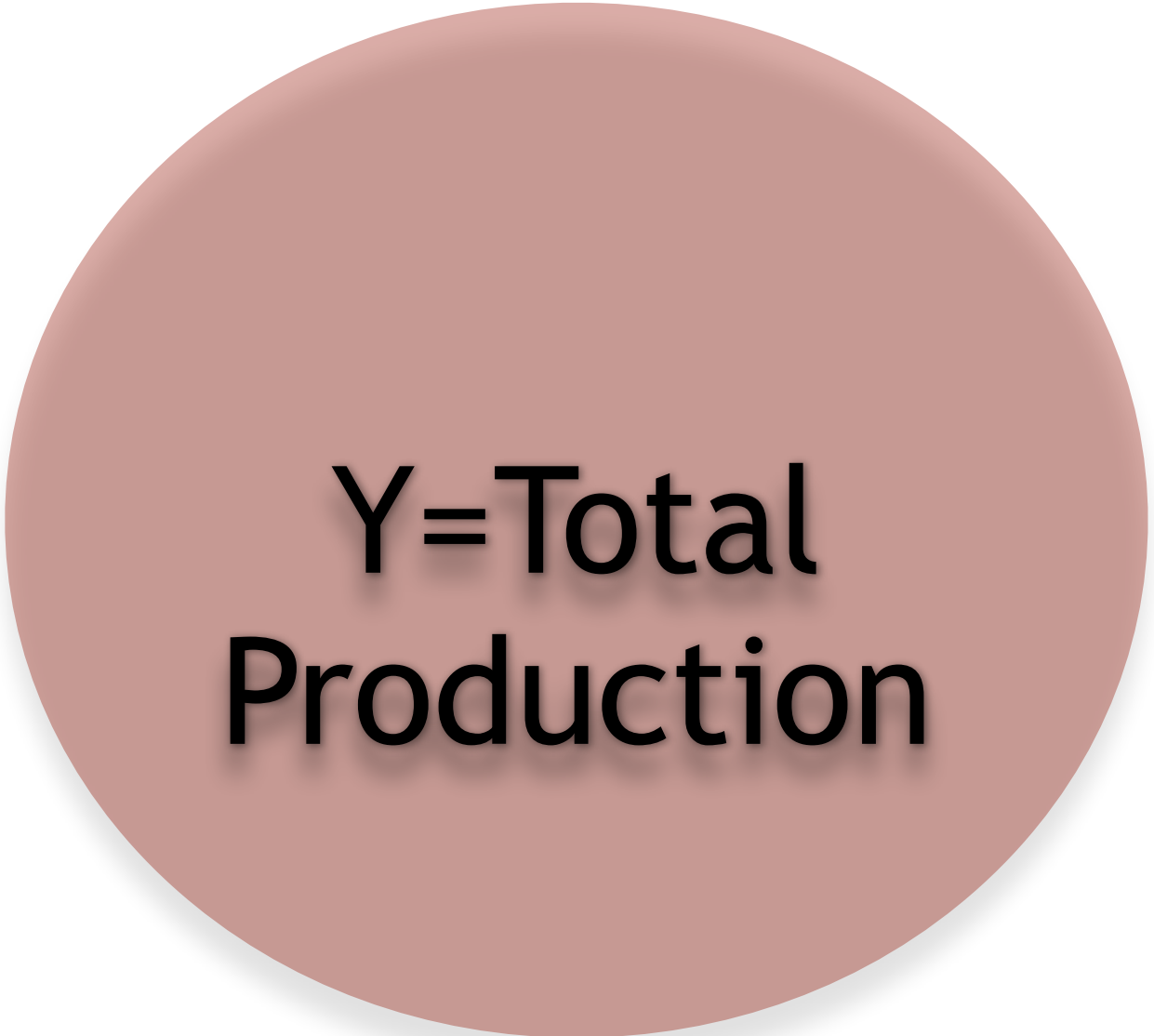




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$$AE = C+I+G+NX$$

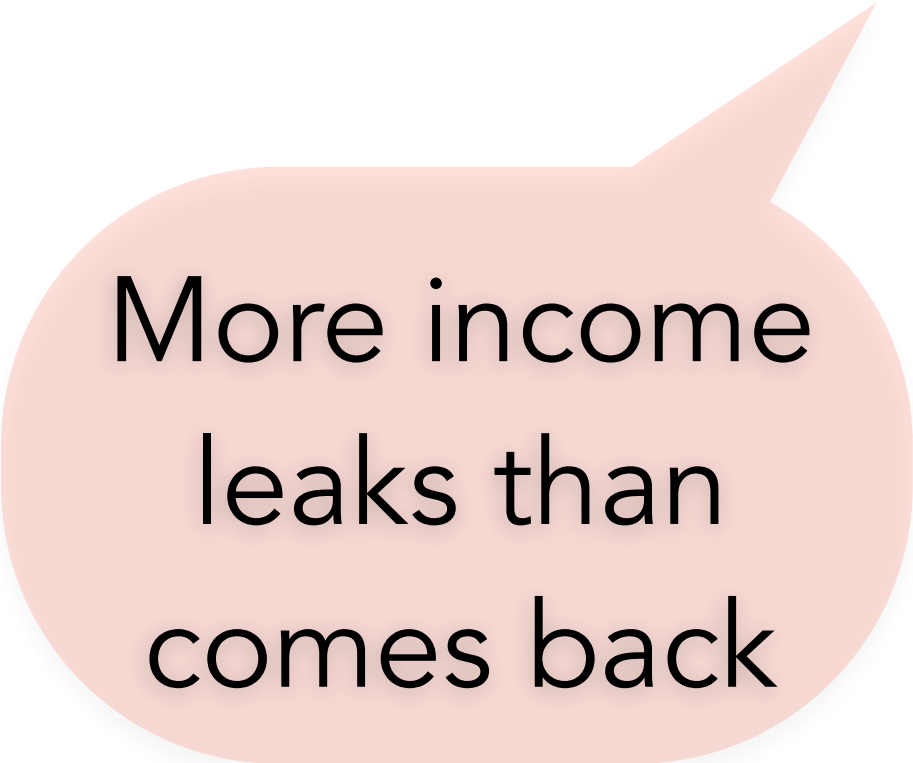


**Y=Total
Production**

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
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$AE = C + I + G + NX$

<

Y = Total
Production

Inventories increase

If