







AE

Total  
Production



Total Production ( $Y$ )

AE





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

Total Production (M)

[REDACTED]

[REDACTED]

If  
Spending Leakages  
are equal to  
Spending Injections

Inventories  
Decrease

Production

AE



Production

Spending  
Injections

$I+G+X$

**larger than**

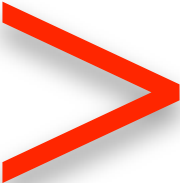
Spending  
Leakages

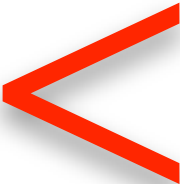
$S+T+M$

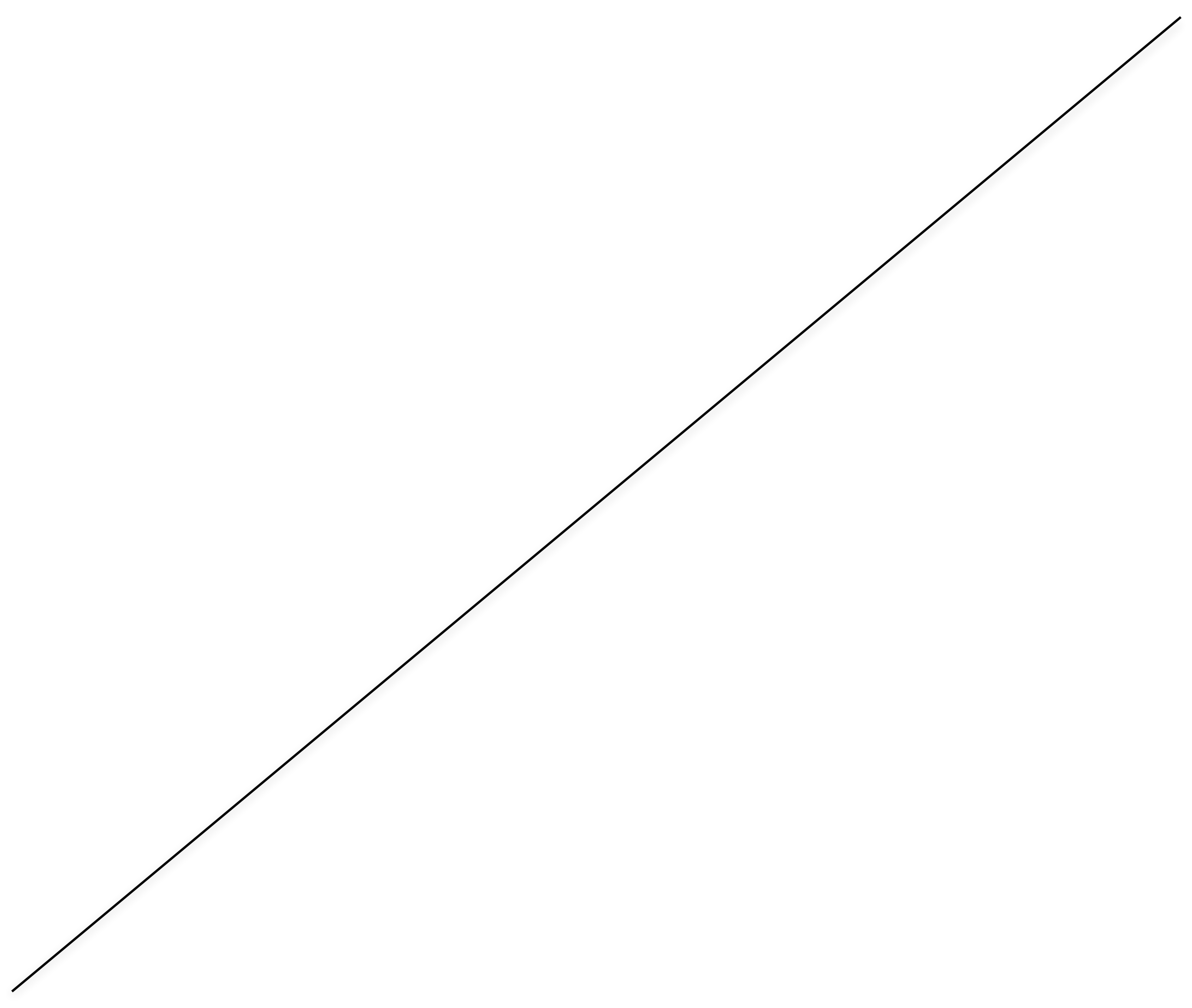
Spending  
Leakages  
 $S+T+M$

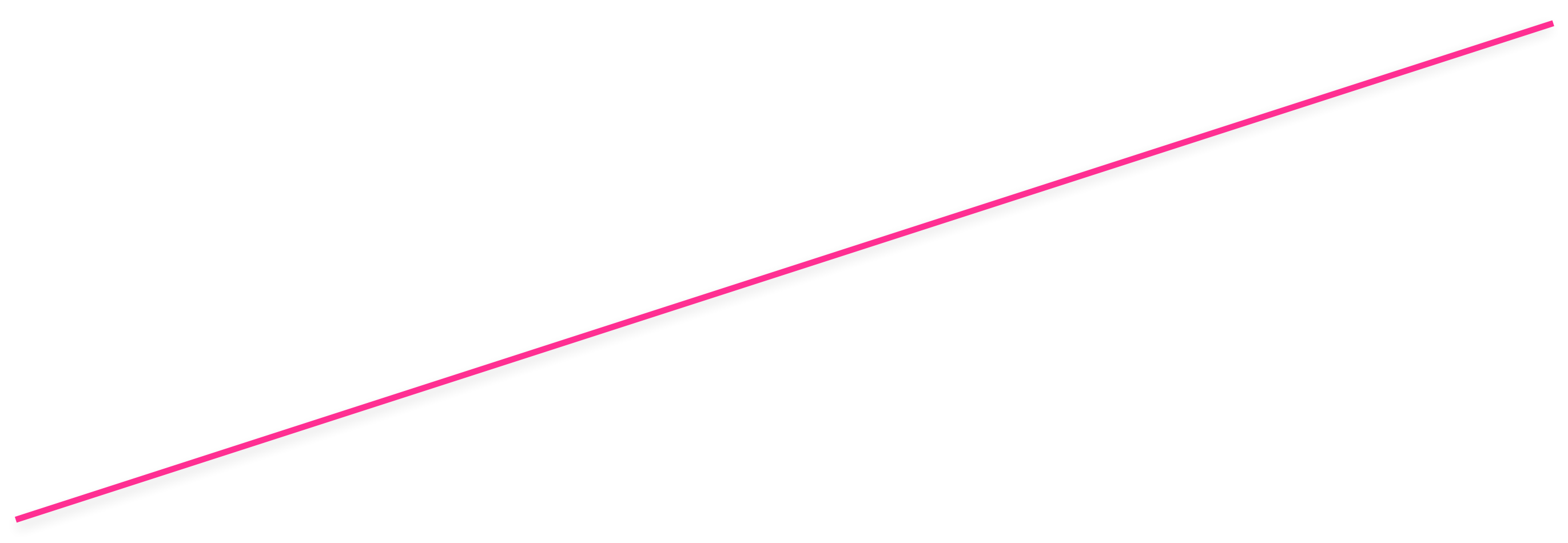
**larger than**  
Spending  
Injections  
 $I+G+X$

# Aggregate Expenditures













Aggregate  
Expenditures

=

Production



Too much spending



Too little spending

Inventories  
Increase

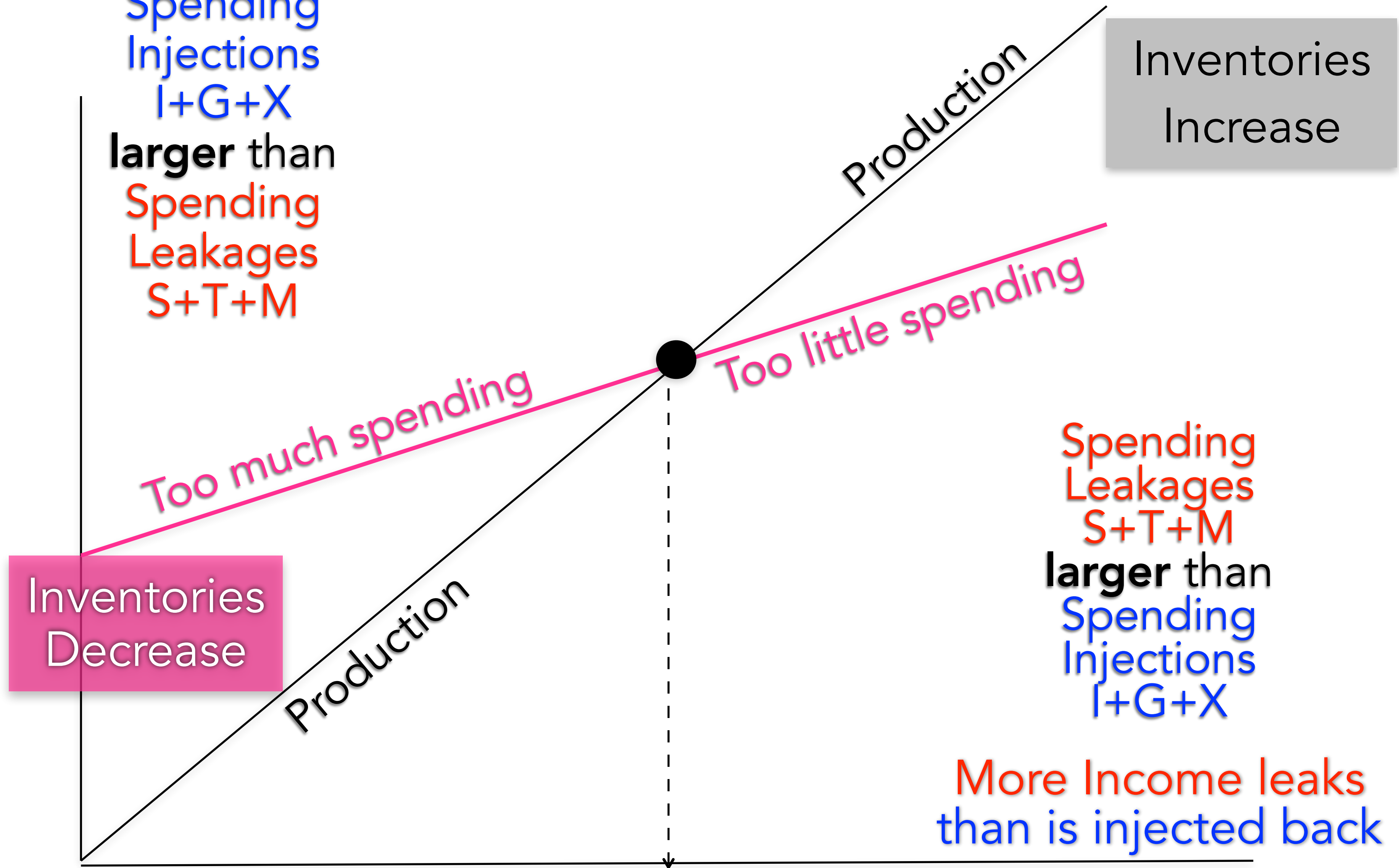
More Income leaks  
than is injected back

More income is injected  
back than leaks

More income is injected  
back than **leaks**

Spending  
Injections  
 $I+G+X$   
**larger** than  
Spending  
Leakages  
 $S+T+M$

Inventories  
Increase



$$AE = C + I + G + X - M < \text{Total Production (Y)}$$



