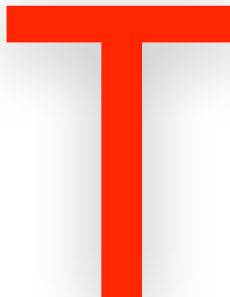
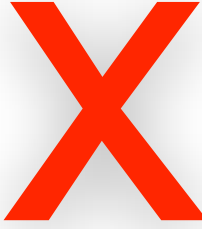
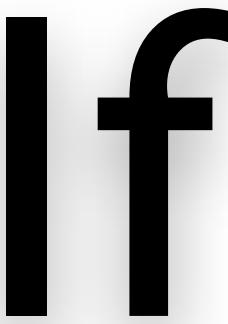
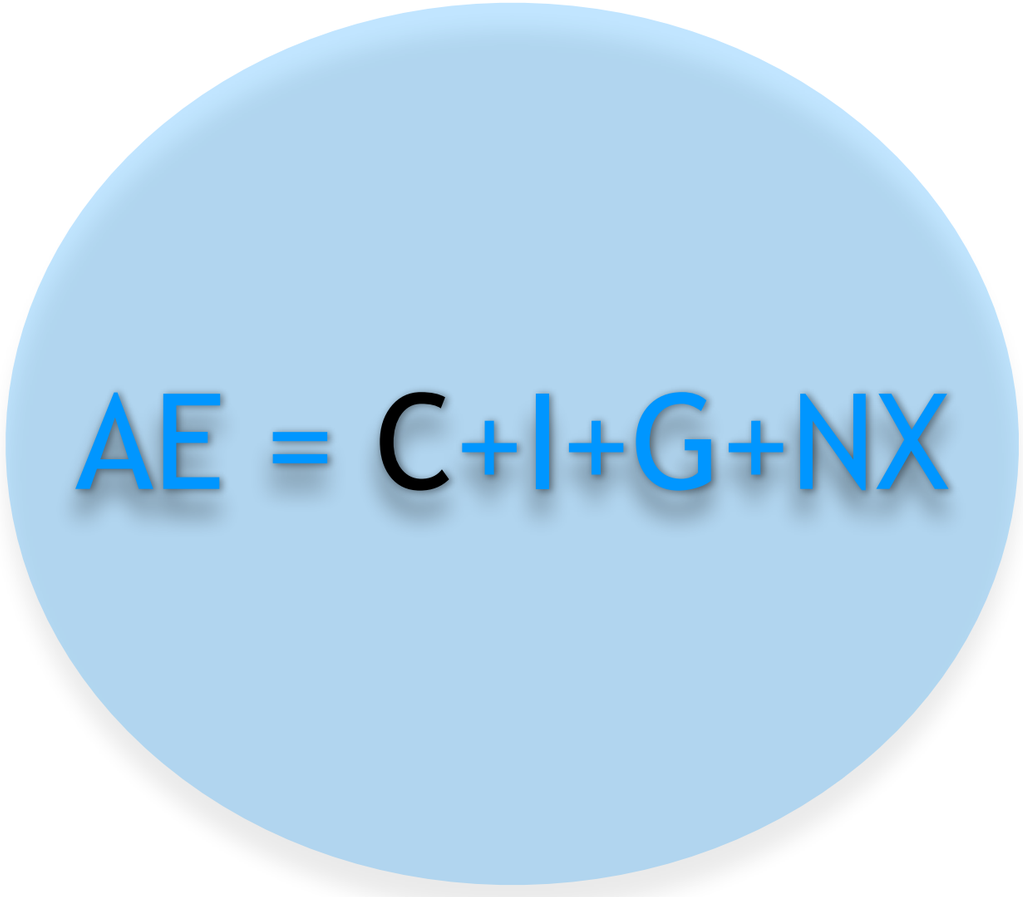
Total
Purchases

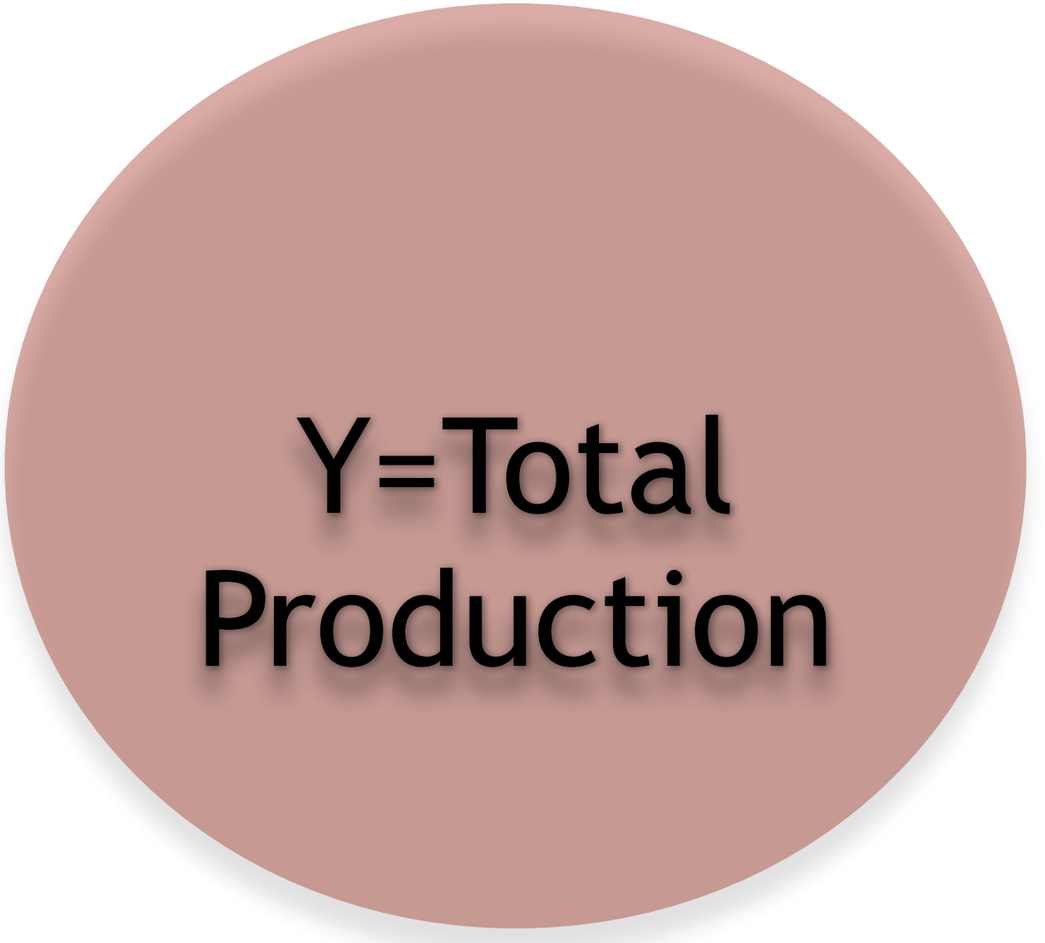
Total
Production






If


AE = C+I+G+NX


Y=Total
Production

Spending Leakages = Spending Injections

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

Inventories do not change

All income that Leakes, comes back

3

7

4

5

6

X = 3 M = 5 Trade Deficit = -2

G = 7 Tx = 6 Budget Deficit = 1

3

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

If

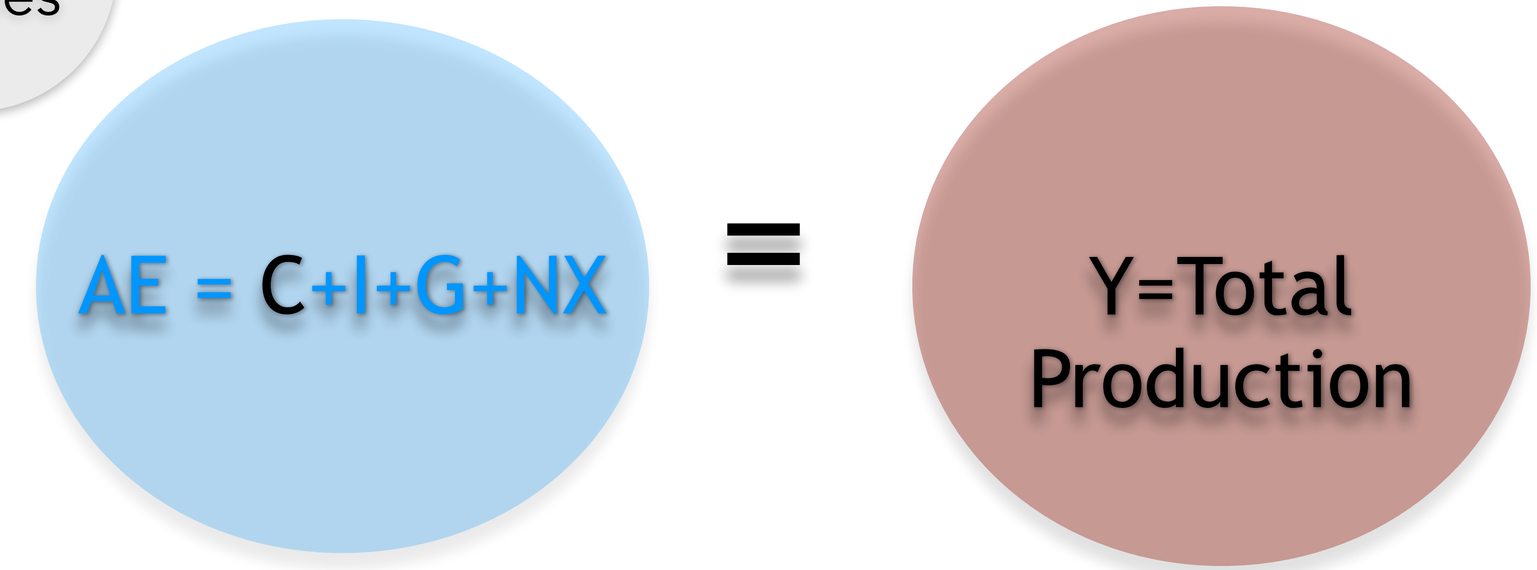
Savings + Taxes + Imports = Investment + Gov. Spending + Exports

S + Tx + M = I + G + X X = 3 M = 5 Trade Deficit = -2

3 + 6 + 5 = 4 + 7 + 3 G = 7 Tx = 6 Budget Deficit = 1

All income that Leakes, comes back

Spending Leakages = Spending Injections



Inventories do not change

If