





**Total  
Purchases**



**Total  
Production**

S



**T**





M









G





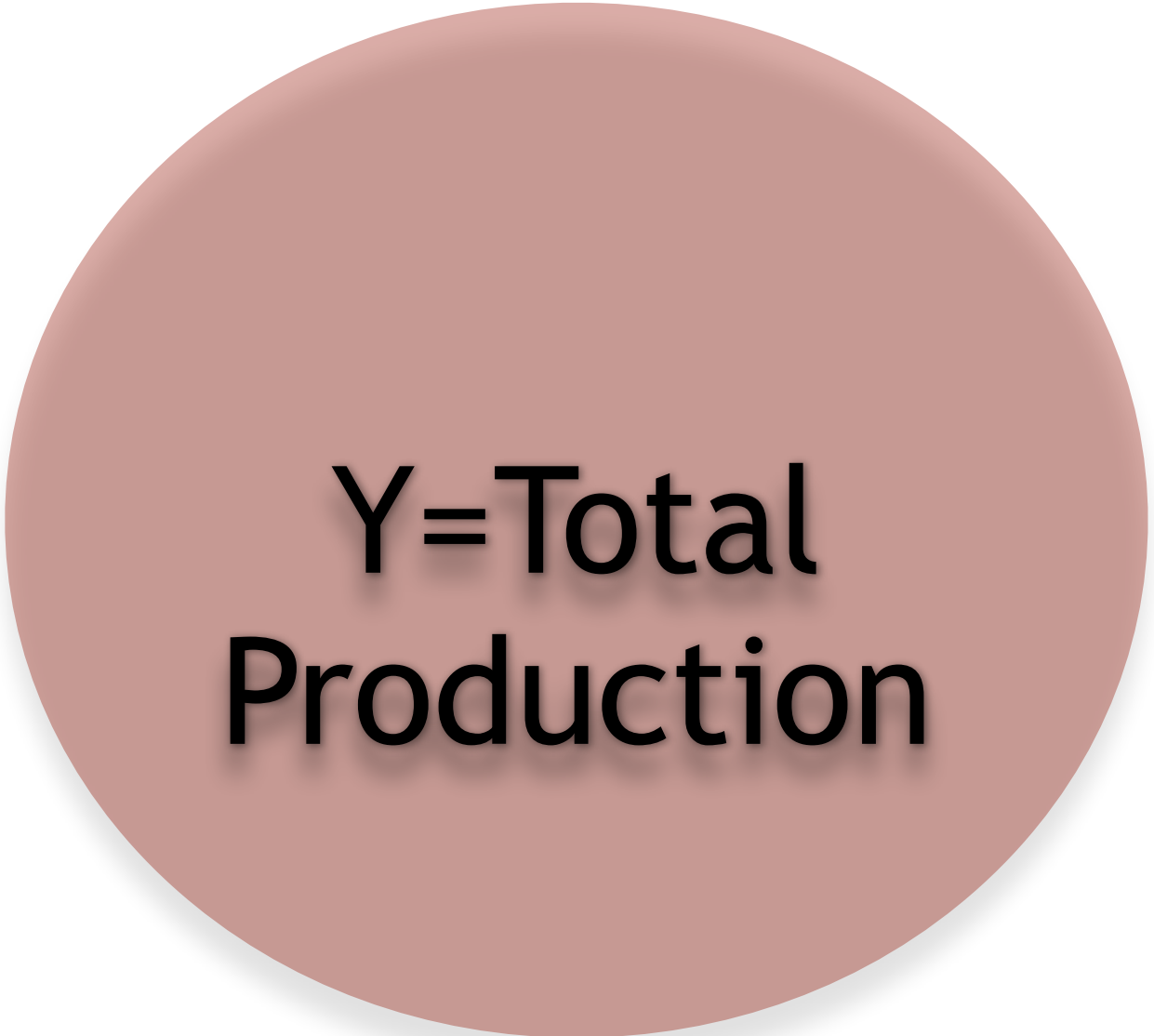


1

f




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

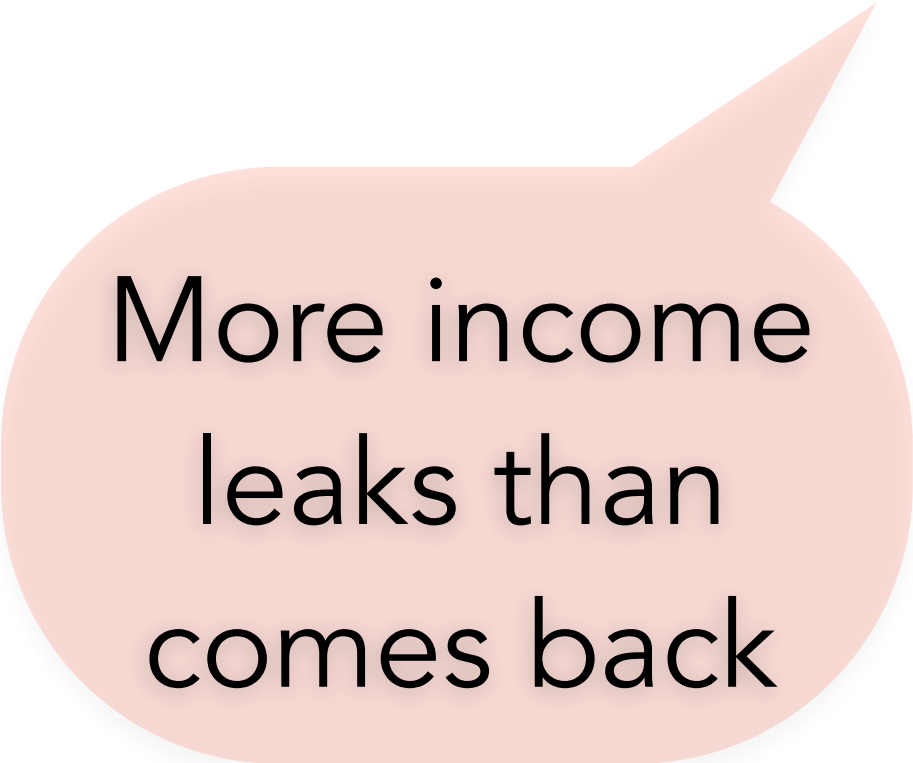


**Y=Total  
Production**

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  
leaks than  
comes back

$AE = C + I + G + NX$

<

Y = Total  
Production

Inventories increase

If