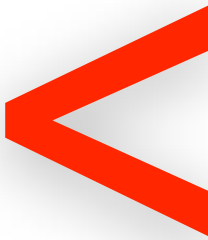
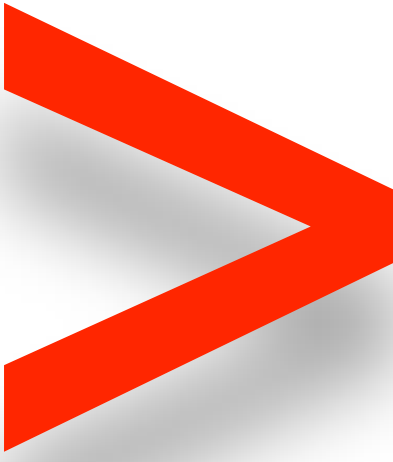
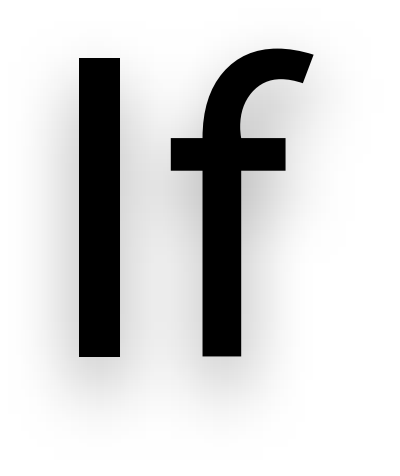
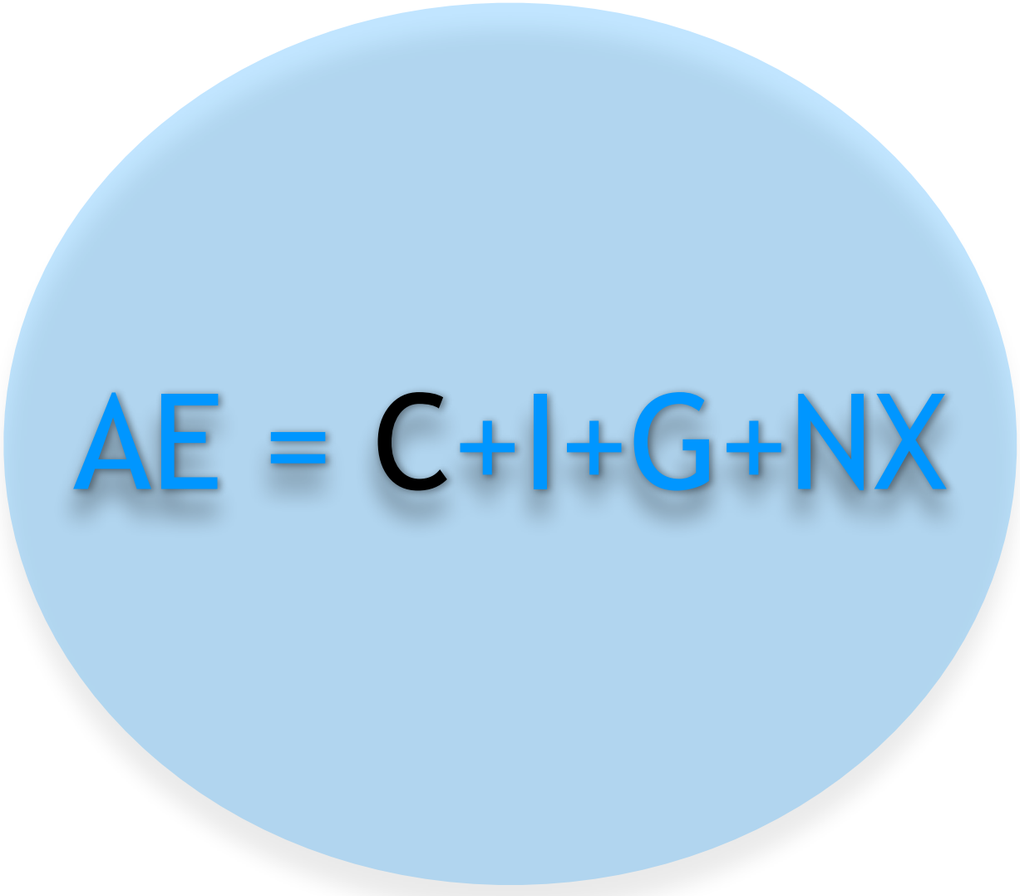
Total
Purchases

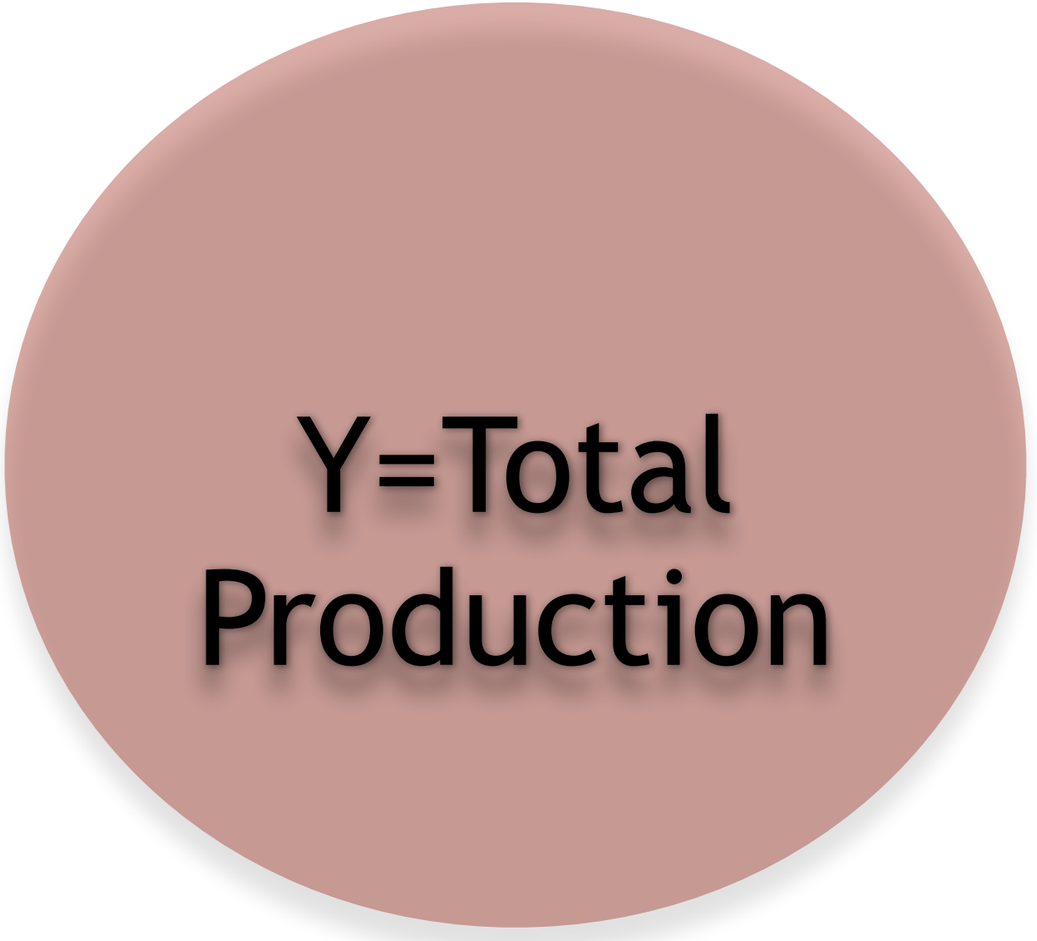
Total
Production






If


AE = C+I+G+NX


Y=Total
Production

Spending Leakages < Spending Injections

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

Inventories decrease

More income
is injected
than leaks out

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

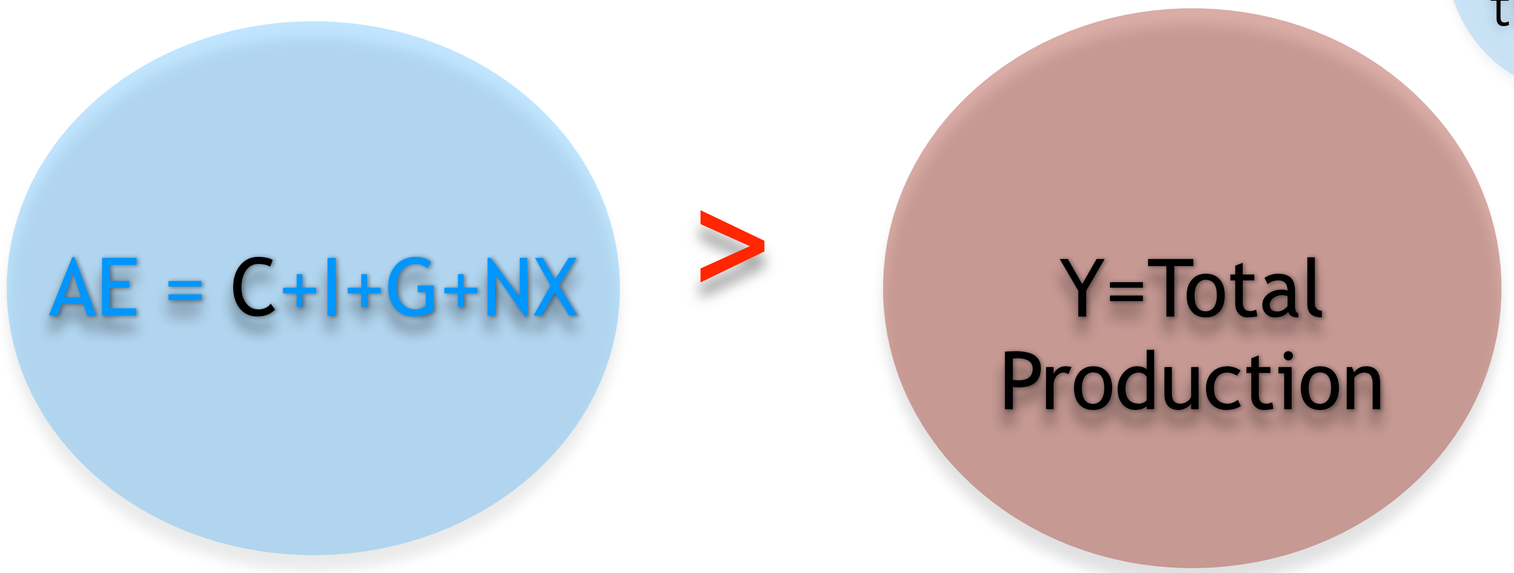
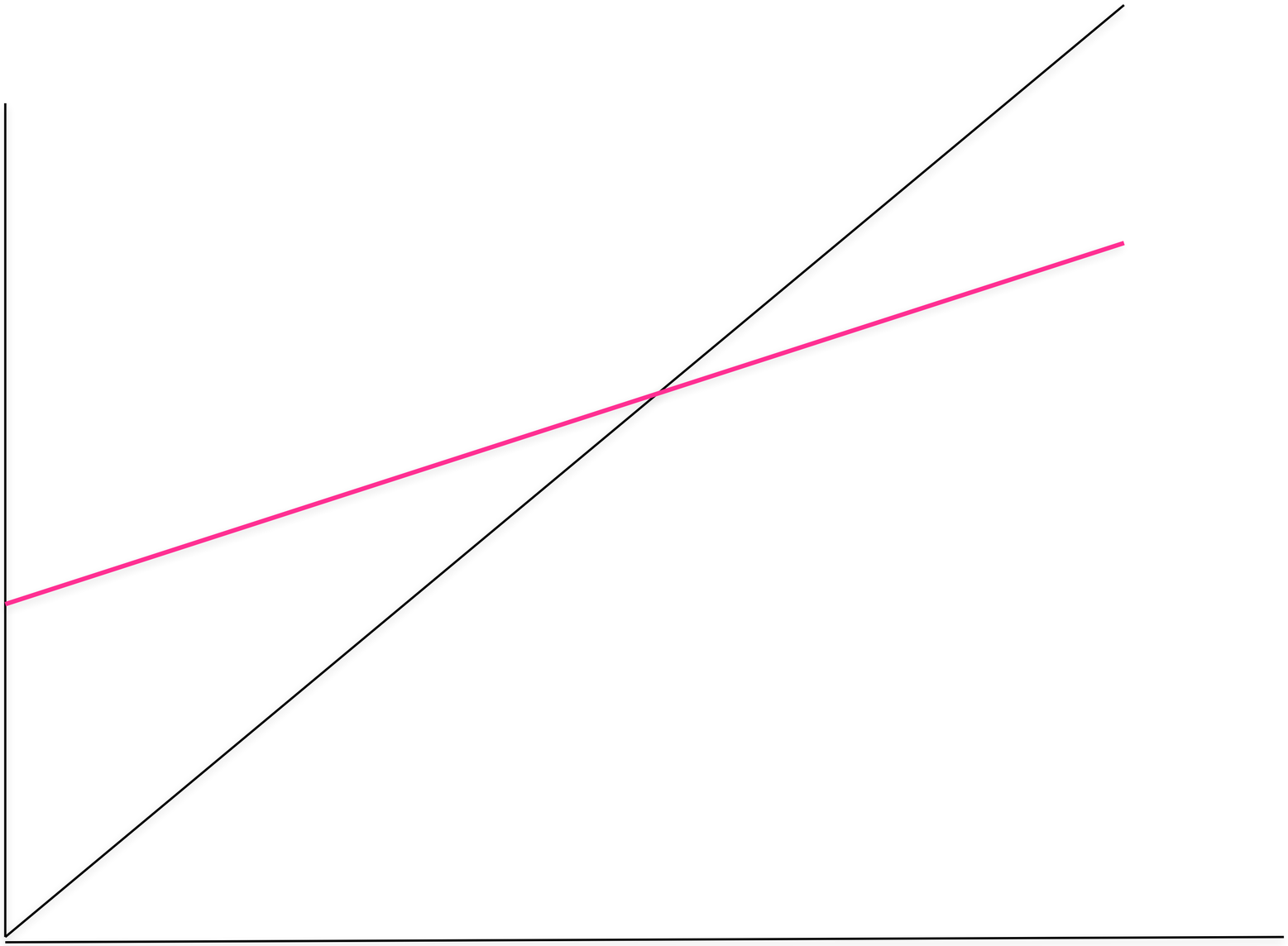
If

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

S + Tx + M < I + G + X

Spending Leakages < Spending Injections

More income is injected than leaks out



Inventories decrease