

Best Uses:

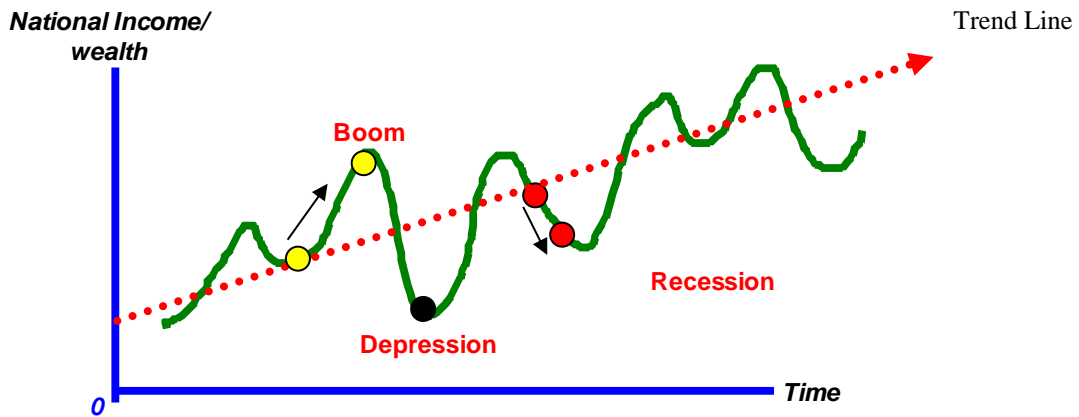
- ⊙ Key macroeconomic diagrams to highlight size of economy over time i.e. growth and contraction of economy. Allows you to focus on main government economic aim
- ⊙ Distribution of income is a “development” issue. Poor distribution see

ED 10: circular flow + business cycle

Macroeconomics The Circular Flow of Income Showing Leakages (L) and Injections (J) + Business Cycle

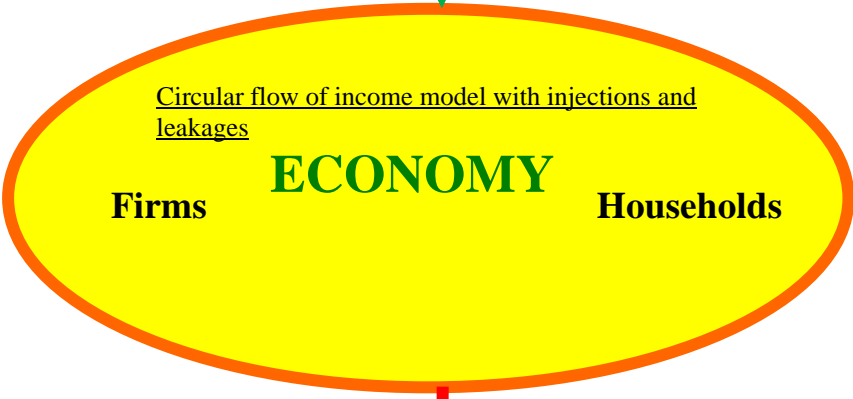
Diagram 2: Circular Flow of Income model showing Injections and Leakages in a Macro-economy

Diagram 1: Business Cycle over time



- Injections (J)**
- Investment
 - Government spending
 - Exports

Expansionary Policies
Economic activity rises. Economy grows.



- Useful and quick to draw diagrams for government management of the economy. Diagram 1 shows economic cycle over time.
- Diagram 2 Shows injections and leakages: growth if $J > L$
- Both diagrams shows major role for government in the economy in terms of managing growth (job creation) and controlling inflation through either reduced injections and/or increased leakages
- Diagram 2 should be used for any discussion or reference to leakages and injections
- Details of the circular flow can be seen in terms of flow of factors of production from the household to the firm and a flow of incomes and goods and services from the firm to the household.