

E101 - 1.2 - Income/Expenditure

Equilibrium - State of balance between equal forces.

$$S + IM + T = I + X + G$$

$$I + X + G > S + IM + T$$

$$I + X + G < S + IM + T$$

Economic Growth

Recession

National Income Equilibrium - Level of income where total leakages from circular flow equal total injections.

The level of income where the total of all three leakages equals the total of all three injections.

Value of Production - Total receipts of all producers.

Aggregate Expenditure - Total spending in the economy, separated into the four components C, I, G & $[X - IM]$.

Value of Production = Cost of Production (Including Profits) = Total Income

Value of Production = Sales Revenue = Aggregate Expenditures (AE)

Equilibrium implies not only that total leakages equal total injections but also that aggregate expenditures equals total income.

Net Exports - Total exports minus total imports of goods and services which can be written as $[X - IM]$.

$$AE = C + I + G + (X - IM)$$

Gross Domestic Product - (GDP) Value of all final goods and services produced in an economy in a certain period.

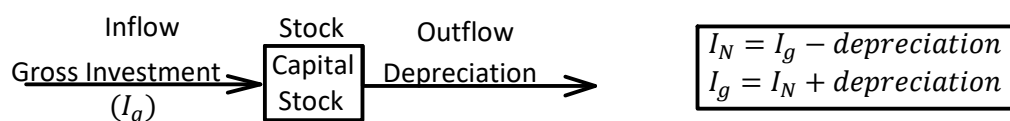
Gross Domestic Income - (Y) Total earnings received by households, businesses and government in a certain period.

The value of output is determined by the income generated in getting something into the hands of the consumer and is equal to the amount that consumers have paid for it.

$$GDP = AE = Y$$

Gross Investment - (I_g) Total value of all new capital goods both replacement and additional capital.

Net Investment - (I_N) Addition to capital stock during a year (equals gross investment less depreciation).



Net Domestic Product - (NDP) Value of total production after deductions for depreciation and indirect taxes.

Net National Product - Value of goods and services produced by Canadians after depreciation and indirect taxes.

Derived by subtracting the net foreign factor income from NDP.

Net domestic income - (NDI) Incomes earned in Canada after deduction for taxes on production and appreciation.

National Income - Total income earned by Canadians after deductions for depreciation and indirect taxes.

Personal Income - Paid to individuals before the deduction of personal income taxes.

Disposable Income - Personal after-tax income of households.

Not included in *GDP*

- Sale of intermediate goods
- Sales that merely transfer ownership of assets
- Both public and private transfer payments
- Sale of second-hand goods

Excluded Productive Activities

- Underground activities
- Illegal activities
- Unreported (but legal) activities
- Non market activities services of home makers
- Do-it-yourself production
- Volunteer services