Equation of flows of income and expenditure $Y = C + S + T$

Equation of total expenditures in the economy $Y = C + I + G + NX$

Equation of leakages = injections $T + S + M = G + I + X$

Equation $I = S + (T - G) + (M - X)$ flows into and out of financial markets means a large trade deficit leads to greater savings by foreigners

Circular Flow Model all income goes to households money flows from households to firms for goods and services

Capitalist economy lenders are usually households and the borrowers are usually firms or businesses.

GDP= value of all final goods and services produced in an economy in one year. Items that are counted would be the price of services such as those by a tailor, massage, Internet providers, or the price of new car.

GNP vs. GDP tennis shoe company that is owned by U.S. citizens but is located in Korea would count as U.S. GNP and Korea's GDP

Nominal GDP (NGDP) and Real GDP (RGDP) if prices double but the quantity of final goods and services stay the same NGDP will double, but RGDP will remain the same.

Business cycle expansion phase would result in lower unemployment rate and a higher growth rate

Unemployment economy that is expanded would expect low levels of cyclical (unemployment caused by the business cycle) and frictional unemployment (person between jobs or looking for their first job)

Unemployment rate is calculated by dividing those in the labor force by the number that are unemployed and multiplying by a 100 for a percent. For example 180 million divided by 200 million=.9 multiplied by a 100 gives an employment rate of 90%, thus 10% are unemployed. People in the military are not counted in the unemployment rate only civilians are.

Inflation increase of overall price levels, borrowers would benefit the most from high levels of inflation, while creditors would be hurt the most, measured by the CPI (consumer price index)
If the consumer price index (CPI) in one year was 200 and in the next year it was 215, the rate of inflation was 7.5%. 215-200=15 divided by 2= 7.5%. 2 Types of inflation are cost-push when an economy producing at a level of production between full employment and full capacity and demand-pull when prices are being pulled upward due to increased demand for products and services

Interest rates of loans will increase over time due to the uncertainty of the borrowers credit-worthiness over time

Nominal Income In 1996, the price level was 148, and Bob's nominal income was $29,600. In 1997, the price level was 152. If Bob's real income didn't change, his nominal income in 1997 would have to be $30,400

Real per capita GDP would be the smallest if the price index was established one year after the base year. It is an imperfect measure of the standard of living in a country because it fails to include the value of unreported economic activities.