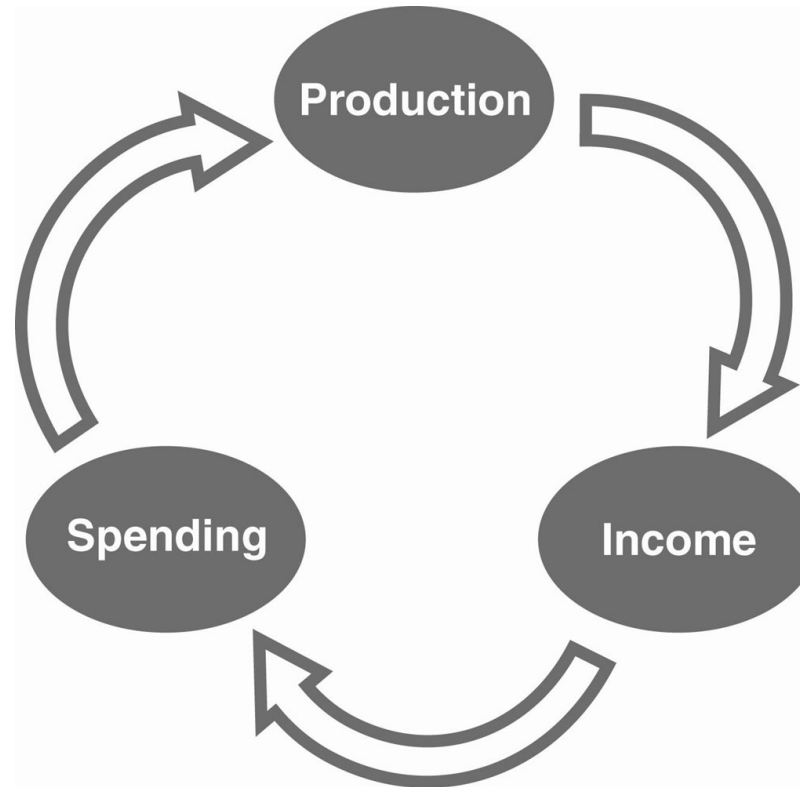


STUDY UNIT 1

Unit outcomes

- identify the three major flows in the economy
- distinguish between a flow and a stock
- identify the various economic participants
- identify the various injections into and leakages from the circular flow of income and spending
- explain the interaction of the different sectors in the economy by means of the circular flow of income and spending

Production, income and spending



- Stocks and flows
Box 3-1

The interdependence between the different sectors in the economy

- The major elements of the circular flow of income and spending
- Injections
I, G and X
- Withdrawals
S, T and Z

Typical exam questions

(a) Concepts:

- identify the three major flows in the economy
- distinguish between a flow and a stock
- identify the two basic sets of markets in the economy
- identify the various economic participants/list the components of total spending
- identify the various injections into and leakages from the circular flow of income and spending

(b) Diagrams:

Show with the aid of a diagram:

- the interaction of households and firms by means of the circular flow of goods and services and the circular flow of income and spending – Figures 3-2 and 3-3
- the interaction of the different sectors in the economy by means of the circular flow of income and spending – Figures 3-4 to 3-7