

Dynamics Within the Economy

A Computer Program

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OVERVIEW

- CIRCULAR FLOW MODEL of National Accounting
 - Components
 - Businesses
 - Government
 - Households
 - Sources (Nearly 20-Year Averages)
 - *Survey of Current Business*
 - *Federal Reserve Bulletin*
 - *Economic Report of the President*
 - *Economic Indicators*
 - Simplifications (Ex. Net Exports = 0)
 - Computer program allows user to advance, step-by-step, through the following transfers of wealth and then repeat the cycle.
- GROSS DOMESTIC PRODUCT (GDP)
 - In Terms of Spending
 - By Business: Gross Private Domestic Investment
 - By Government: Government Purchases (of Goods and Services)
 - By Households: Personal Consumption Expenditures
 - In Terms of Income
 - Of Business
 - Undistributed Corporate Profits
 - Consumption of Fixed Capital (Depreciation)
 - Of Government
 - Corporate Income Taxes
 - Indirect Business Taxes (Passed on to Consumers)
 - Of Households
 - Proprietors' Income
 - Dividend Income
 - Interest Income
 - Rental Income
 - Compensation of Employees
- NET DOMESTIC PRODUCT (NDP) Equals GDP Minus Depreciation
- DOMESTIC INCOME Equals NDP Minus Indirect Business Taxes
- PERSONAL INCOME Equals Households' Share of GDP Income ...
 - Minus Social Security Contributions, to Government
 - Plus Transfer Payments, from Government
- DISPOSABLE INCOME Equals Personal Income Minus Personal Taxes, from Households to Government
- Personal Savings, from Households (through savings institutions) to Businesses (via lending), then returns distribution of wealth to original amounts—in accounts of Businesses, Government, and Households—and thus allows repeat of Circular Flow Model.