

## Equations and Calculations in Economics



Figure 1: 2 sector circular flow model

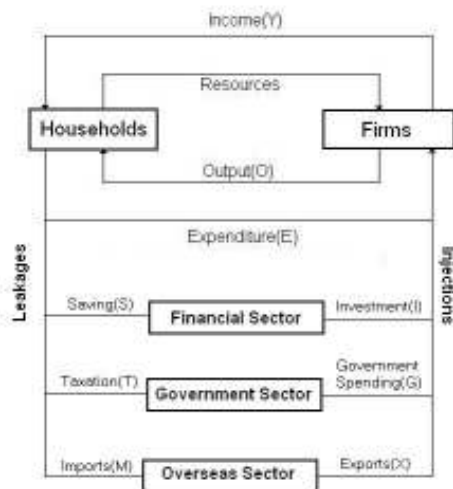


Figure 2: Five Sector Circular Flow of Income Model

### Equilibrium

<b>Savings</b> + <b>Taxation</b> + <b>Imports</b>	=	<b>Investment</b> + <b>Government Expenditure</b> + <b>Exports</b>
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$$S + T + M = I + G + X$$

**Leakages = Injections**

### Elasticity and Total Outlays

**Price ↑ Revenue ↑ = Inelastic**

**Price ↑ Revenue ↓ = Elastic**

**Price ↑ Revenue = Unit Elastic**

*Labour force Participation rate (%)*

$$= \frac{\text{Labour force}}{\text{Working age population (15+)}} * \frac{100}{1}$$

Participation rate refers to the percentage of the population, aged 15 and over, in the labour, in the labour force, that is either employed or unemployed.

*Unemployment rate (%)*

$$= \frac{\text{Number of persons unemployed}}{\text{Total labour force}} * \frac{100}{1}$$

Labour force consists of all the employed and unemployed persons in the country at any given time. Also known as the workforce.

$$\text{Average rate of tax (\%)} = \frac{\text{Total tax paid}}{\text{Income}}$$