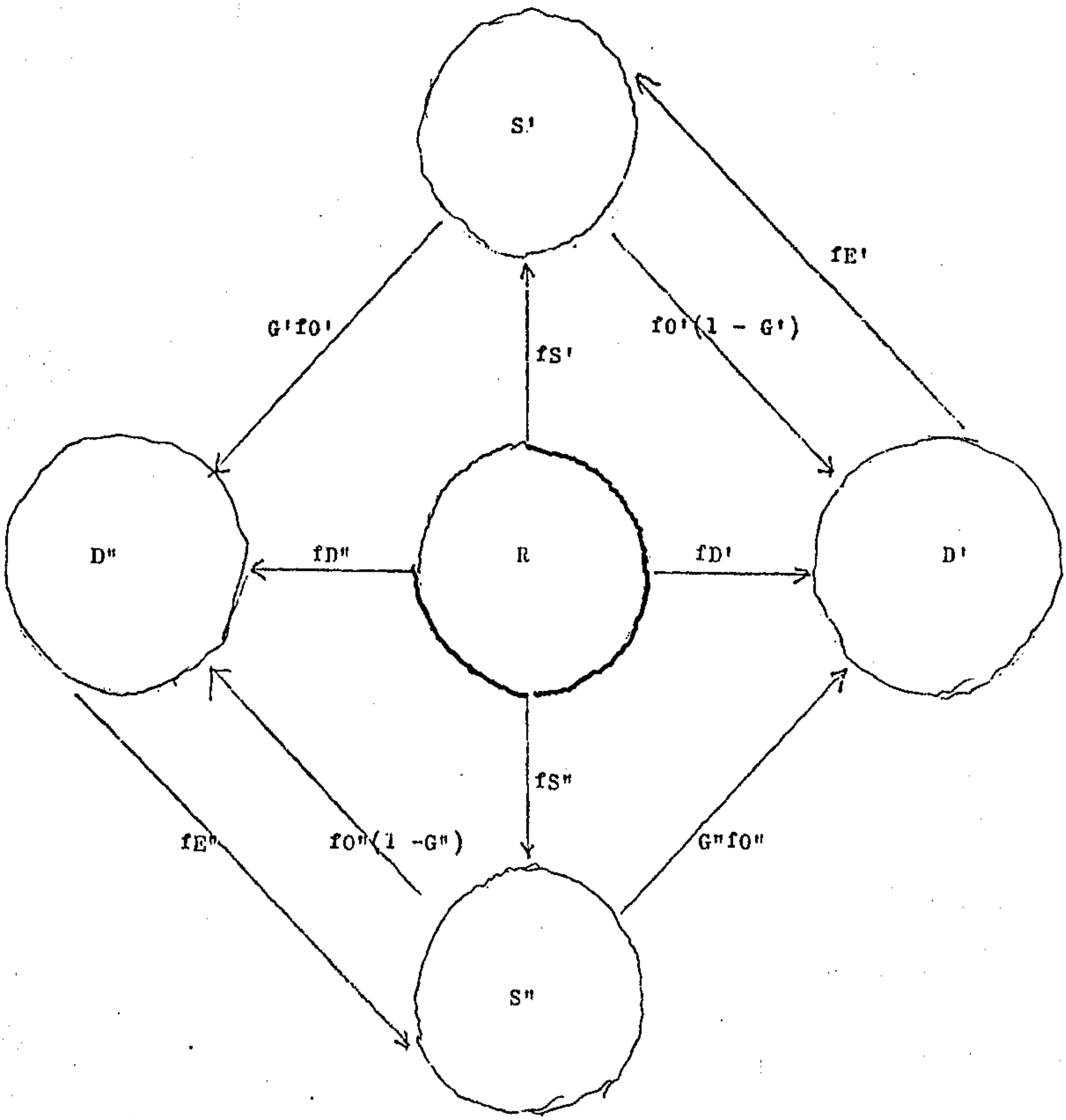
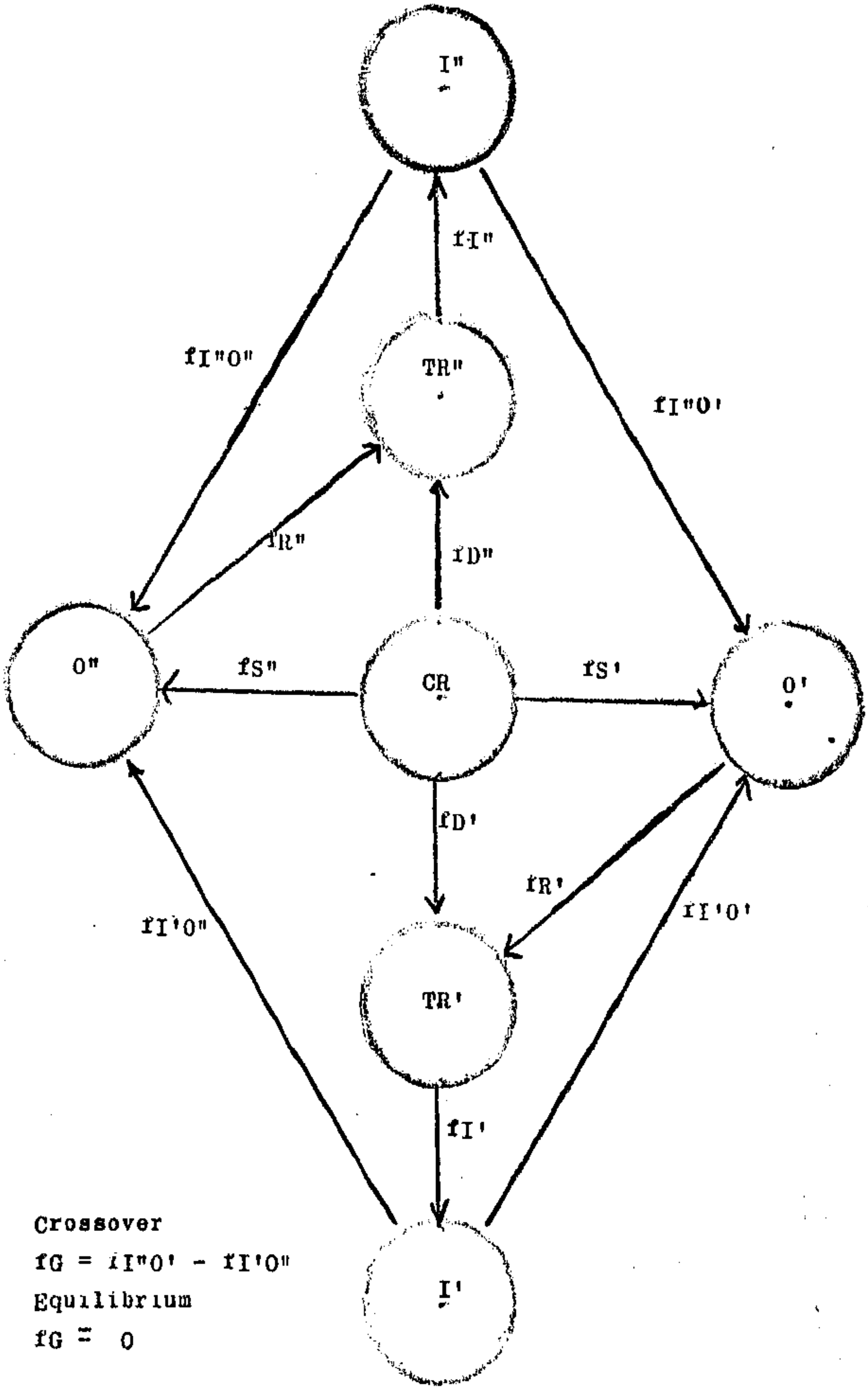
Diagram of Transfers between Monetary Functions



When fD' is zero, then fE' equals (1- G')fO' plus G"fO".

When fD" is zero, then fE" equals (1- G")fO" plus G'fO'.

Circulation Analysis: Revised Diagram



Crossover
fG = fI"O' - fI'O"
Equilibrium
fG = 0

The Revised Diagram

The basic circuit starts from outlay (O') on the far right, moves along basic receipts (fR') to the basic transitional division of receipts (TR'), where it is cushioned by additions or subtractions from the central redistributional area (CR) whence it moves along (fI') to basic income (I'), and thence along $fI'O'$ to basic outlay, where it may be increased by a positive contribution from CR along fS' or, on the other hand, decreased by the payment of a loan.

The surplus circuit starts from outlay (O'') of the far right, moves along surplus receipts (fR'') to the surplus redistributional area (TR'') where it may be augmented by contributions from the central redistributional area (CR) or diminished by payments to it; thence it moves along fI'' to I'' and thence, in part, along $fI''O''$ to surplus outlay (O'') where it may be increased, or on the other hand diminished along fS''.

Over and above these circular movements there are the crossovers: $fI'O''$ from basic to surplus for the maintenance, widening, and deepening of basic producers goods and services; and $fI''O'$ for the standard of living of entrepreneurs and workers in the surplus circuit.

When there occurs a crossover difference, then one circuit is accelerating by decelerating the other. The result is a very serious disequilibrium, and the longer it lasts the more deleterious are its consequences. Let us represent the crossover difference by fG ($= fI'O'' - fI''O'$). Then, once crossover equilibrium is attained, the condition of continued equilibrium will be $fG = 0$.

Again, let the basic propensity to consume, to invest, and to save be respectively: c', i', s'. Now $s'R'$ will be a component moving to CR along fD', so on the supposition that fD' still remains a positive total, then

$$fI' = (c' + i')(fR' + fD')$$
$$fI'O' = c'(fR' + fD')$$
$$fI'O'' = i'(fR' + fD')$$

Similarly, in the surplus circuit

$$fI'' = (c'' + i'')(fR'' + fD'')$$
$$fI''O' = c''(fR'' + fD'')$$
$$fI''O'' = i''(fR'' + fD'')$$

Should it happen the fD'' or fD' happen to be a negative quanity, the sign in these equations changes.