

Intermediate Macroeconomics

Lecture 1

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Lecture 1

- Reviewing System of National Accounting
- Reviewing key terms used in describing macroeconomic activities

Classifying Agents

- Agents by role
 - Consumer (households)
 - Producer (firms)
 - Foreign Country
 - Government
- Dividing Agents into two
 - Private (non-government) vs. Public (government)
 - Home vs. Foreign (Nationality)
 - Domestic vs. Foreign (Geographic)
- Agents by working status
 - Employed
 - Unemployed
 - Not in labor force

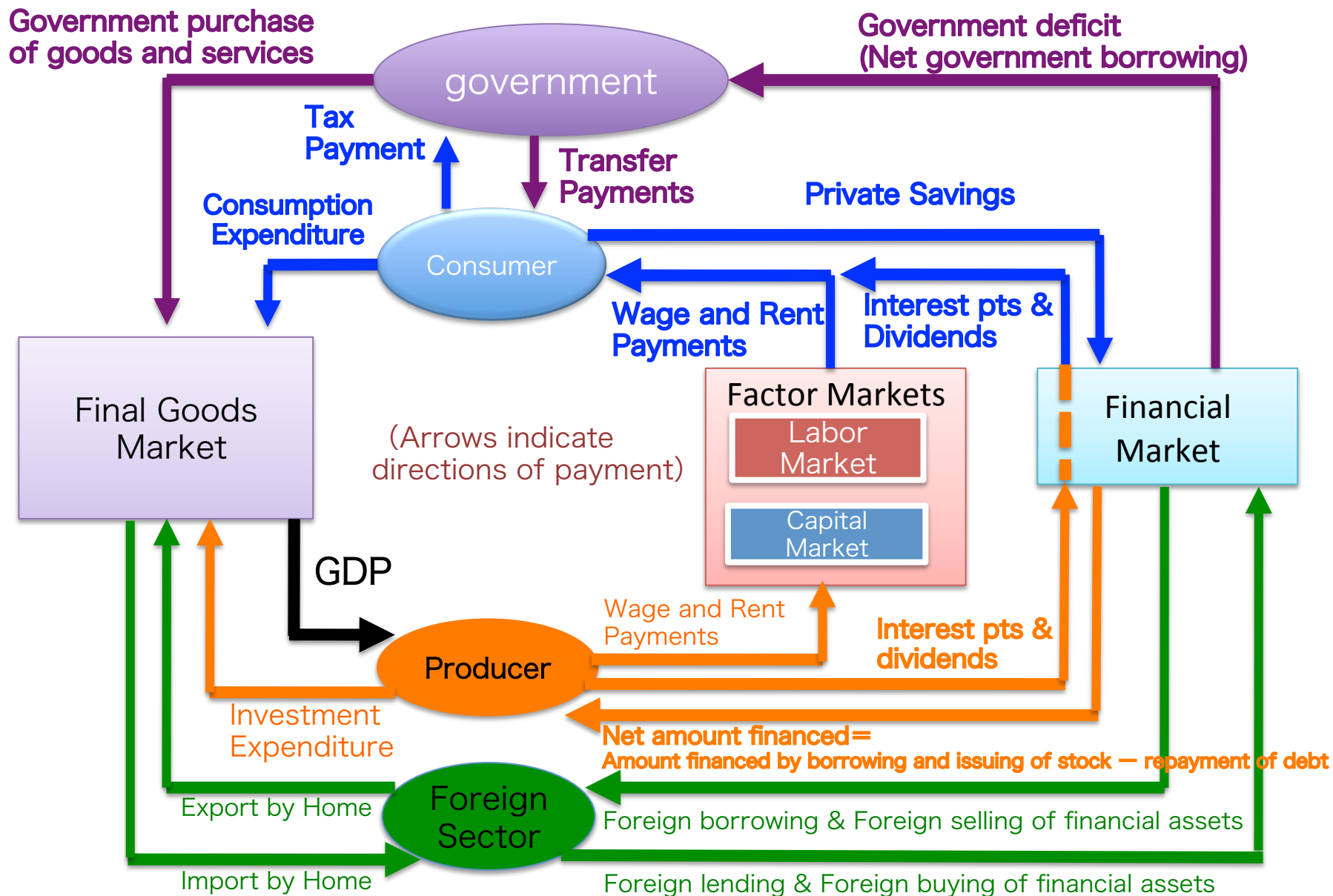
GDP and GNP

- Gross Domestic Product (GDP)
 - Total value of final goods and services produced in a country
- Gross National Product (GNP)
 - Total value of final goods and services produced by home factor of production

Three Major Markets & Aggregate Economic Transaction in Flow Term

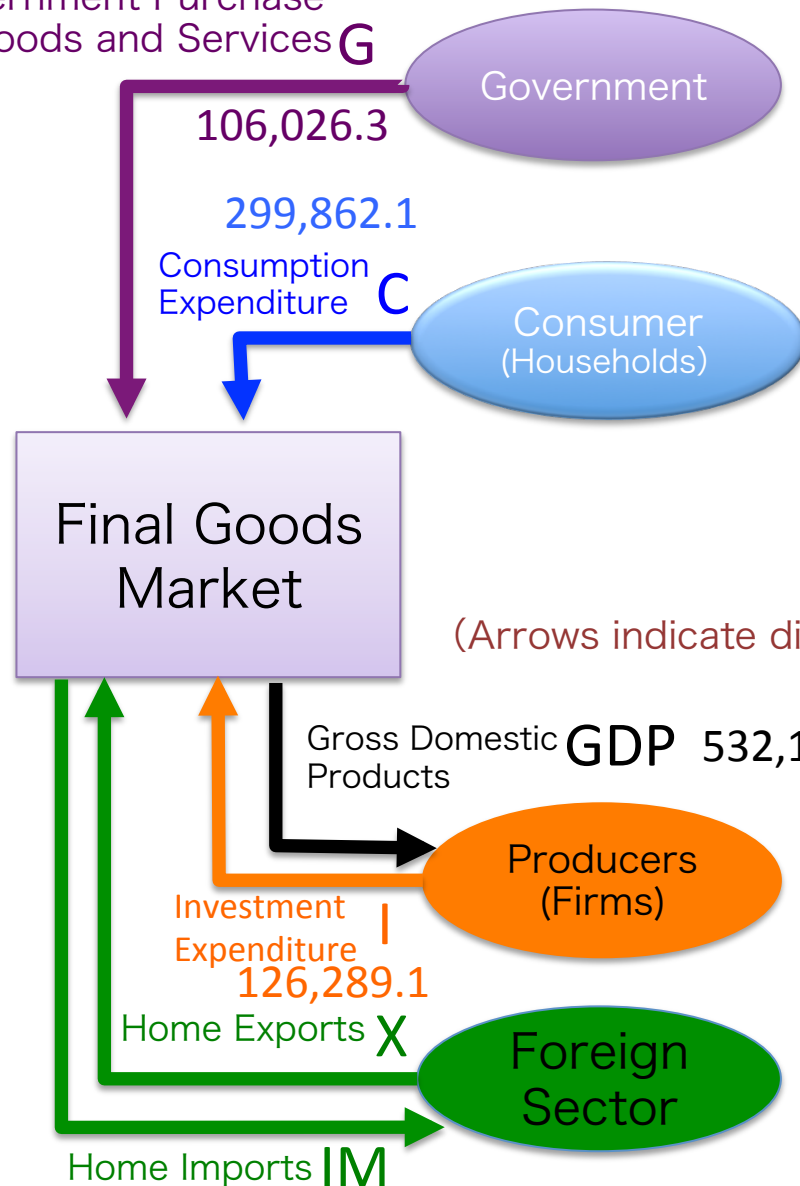
How much value added is given from someone to someone else?

In these economic transaction, there are corresponding (money) payments.



GDP equals to Total Expenditure on Final Goods Produced in a country

Government Purchase
of Goods and Services **G**



Final goods and
services sold in
final goods market

Final goods and
services bought in
final goods market

$$\text{GDP} + \text{IM} = \text{C} + \text{I} + \text{G} + \text{X}$$

$$\text{GDP} = \text{C} + \text{I} + \text{G} + \text{X} - \text{IM}$$

(Arrows indicate directions of payment)

Trade Balance

Japan 2015 (Billion JP Yens)

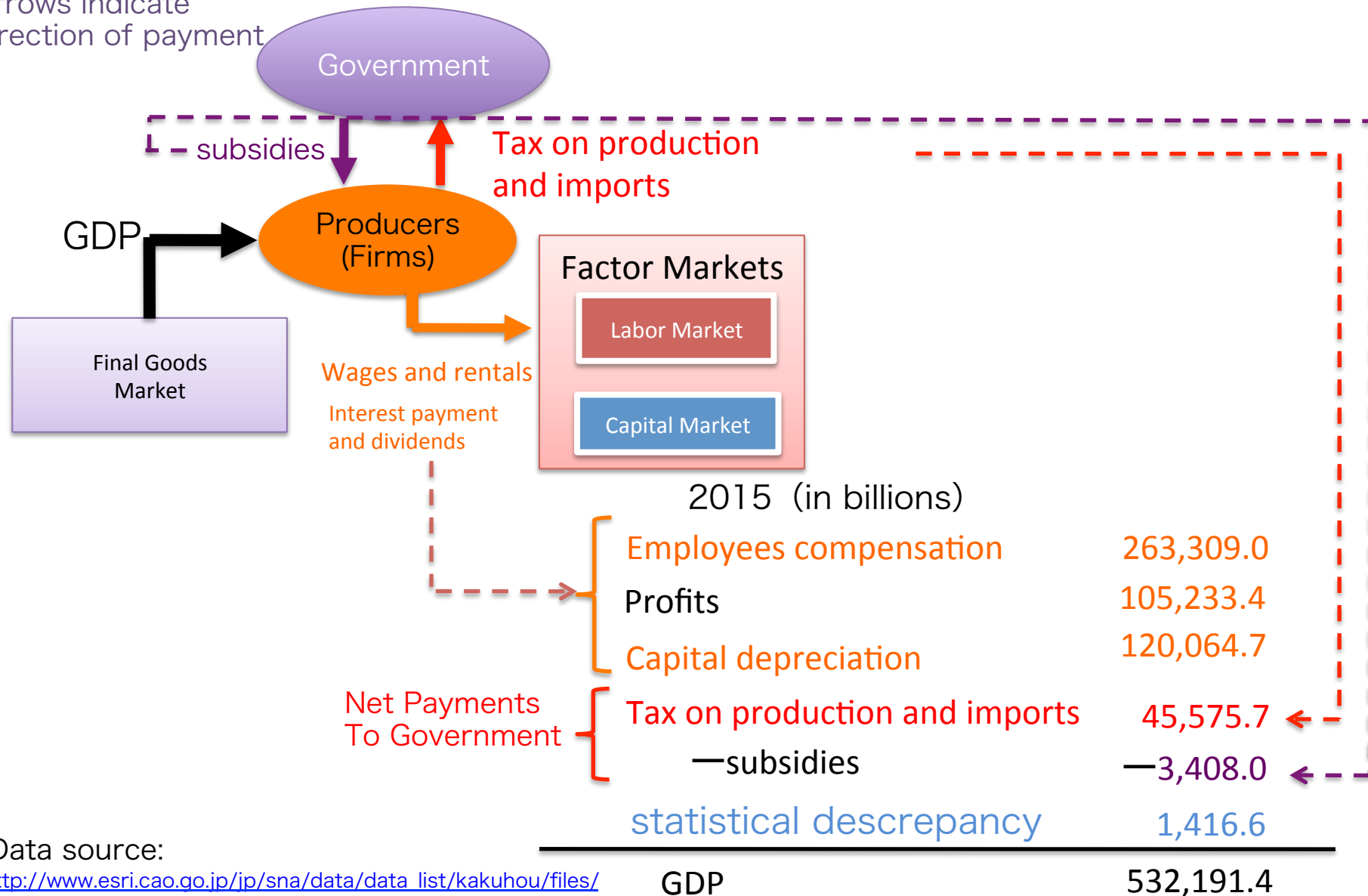
Data Source:

http://www.esri.cao.go.jp/jp/sna/data/data_list/kakuhou/files/h27/h27_kaku_top.html

$$532,191.4 = 299,862.1 + 126,289.1 + 106,026.3 + 91,658.7 - 91,644.8$$

GDP equals to factor payment made by domestic firms

Arrows indicate
direction of payment

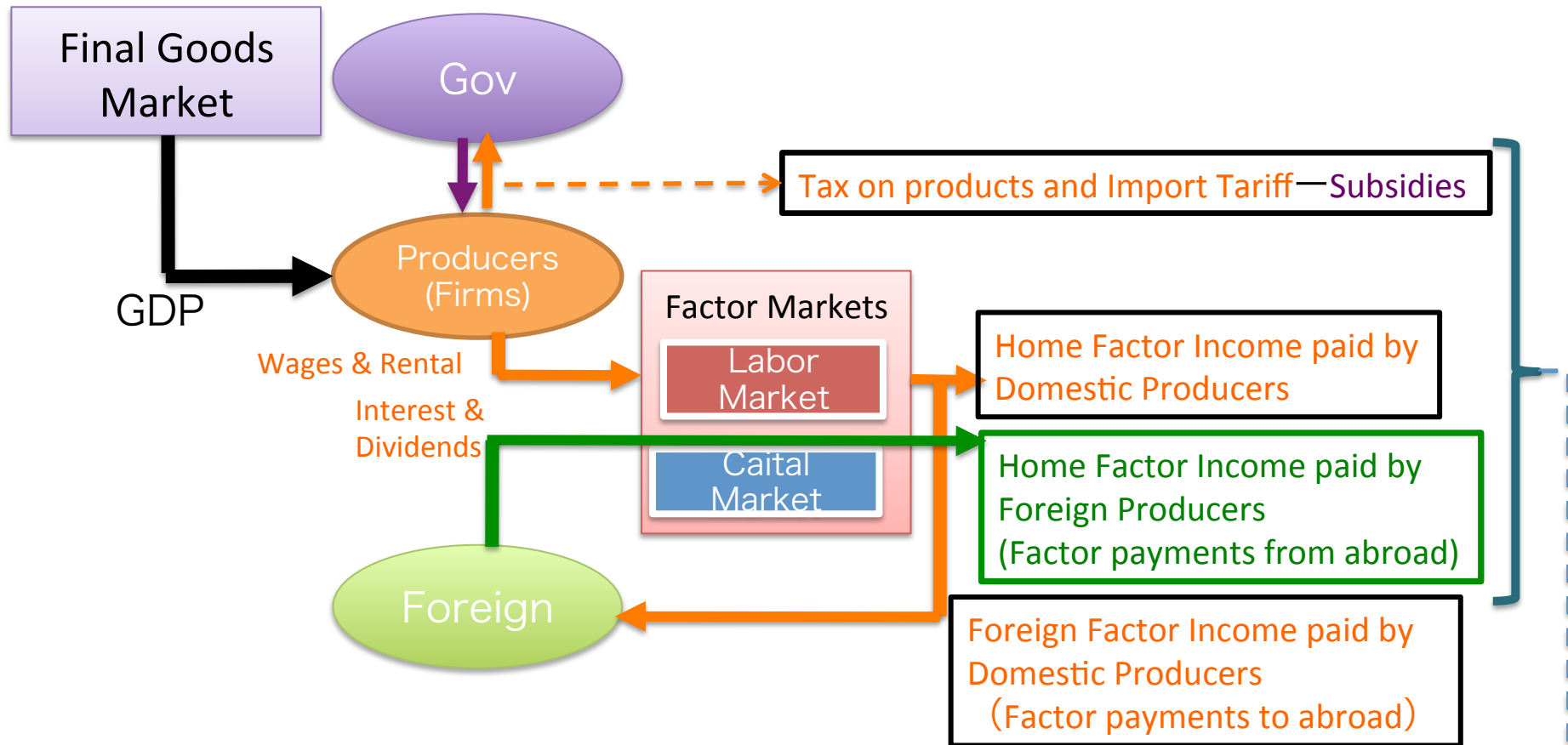


Data source:

http://www.esri.cao.go.jp/jp/sna/data/data_list/kakuhou/files/h27/h27_kaku_top.html

Relationship between GDP and GNP

(矢印は資金の流れ)



2015 (Billion Yens Nominal)

GDP	+ Factor Payments from Abroad	— Factor Payments to Abroad	= GNP
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532,191.4	29,838.2	9,920.3	553,109.3
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Data Source:

http://www.esri.cao.go.jp/jp/sna/data/data_list/kakuhou/files/h27/h27_kaku_top.html

Key Terms

- Factors of Production
 - Capital (Physical and Human)
- Value Added and final goods
- Assets: claim on future income
- Money
 - Financial assets used as medium of exchange
 - Cash and Bank Deposits (and other liquid assets)
- Financial Transaction
 - Lenders and Borrowers
 - Financial Assets and Liabilities
 - There are risks in financial transactions
 - **Financial Markets** create financial assets through financial transactions and enable risk sharing among asset holders

Flow vs. Stock

- Flow measures an amount of activity during a period
- Stock measures an amount at a moment

Examples?