

PEARL
Elementary Macroeconomics II

Week 1

April 11, 2017

Three kinds of transaction

- Current goods and services vs. Current goods and services
- Current goods and services vs. Future goods and services
- Future goods and services vs. Future goods and services

Current Goods and Services vs. Current Goods Services

- Barter Trade
- Needs “double coincidence of wants” between traders
- “Money” makes transaction possible even if there is no double coincidence of wants between traders
- “Money” and market makes specialization possible!

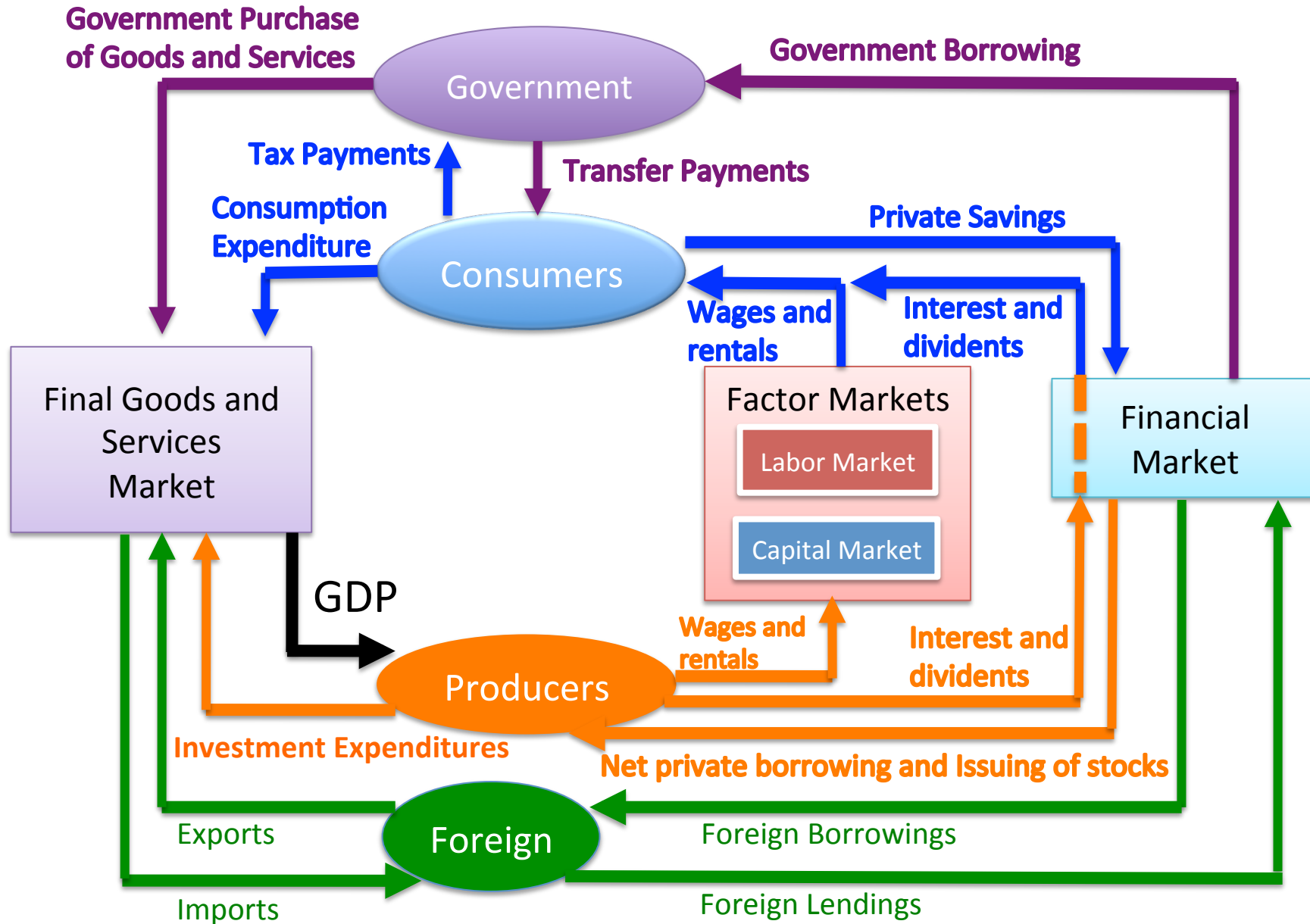
Current Goods and Services vs. Future Goods and Services

- Financial Transaction
 - borrowing and lending help realizing beneficial projects
- Financial Asset
- There is a risk in financial transaction!

Future Goods and Services vs. Future Goods and Services

- Asset tradings
- Benefit of “Risk Sharing”

Macroeconomic Transactions: Payments made on transactions of flow values



Receipt and Payments from producers' perspective

GDP = wage and rental payments

+ dividend and interest payments

Receipts and Payment from Consumers' Perspective

$$\begin{aligned} & \text{Income (wage and rental payment + etc.)} \\ & \quad + \text{Net Factor Payments from Abroad} \\ & \quad - \text{Tax Payments + Net Transfer Payments} \\ & = \text{Consumption Expenditure + Private Savings} \end{aligned}$$

Disposable Income

$$= \text{Consumption Expenditure + Private Savings}$$

Receipt and Payment from Government's perspective

Tax Payment – Net Transfer Payments

– Government Purchase of Goods and Services

= Government Savings

Government Purchases of Goods and Services

-Tax Payment + Net Transfer Payments

= Government Borrowing

Receipts and Payments in Final Goods and Services Market

- $GDP + NFP = \text{Consumption Expenditure} + \text{Investment Expenditure} + \text{Government Purchase} + \text{Exports} - \text{Imports} + NFP$

$$\begin{aligned} & [\text{GDP} + \text{NFP} - \text{Tax Payment} + \text{Transfer Payment} - \text{Consumption Expenditure}] \\ & + [\text{Tax Payment} - \text{Transfer Payment} - \text{Government Purchase}] \\ & = \text{Investment Expenditure} + \text{Exports} - \text{Imports} + \text{NFP} \end{aligned}$$

$$\text{Private Savings} + \text{Government Savings} = \text{Investment Expenditure} + \text{Trade Balance} + \text{NFP}$$

$$\text{National Savings} = \text{Investment Expenditure} + \text{Current Account}$$