

# Seminar 1. Brief recap of main macroeconomic concepts

## 1. Organizational aspects

### Seminar grading (40%):

- 10% active attendance
- 10% test
- 20% projects

During two seminars, they will have to present 2 individual projects with the following requirements:

**Project 1 (10%)** should contain 2 pages with a summary of your individual research regarding any aspect related to the general Topic "**Labor market in Romania**".

The structure of the project is the following:

1. Introduction (stating the importance of the chosen sub-topic)
2. Summary of your research from at least 2 distinct sources (with the appropriate citation of the bibliography and the online resources used)
3. Conclusions
4. Bibliography

**Project 2 (10%)** should contain 2 pages with a summary of your individual research regarding any aspect related to the general Topic "**Effects of budgetary, fiscal or monetary policy in Romania**". The project's structure is similar to Project 1.

## 2. Recap of main macroeconomic concepts

- **Types of economic agents:** (1) households, (2) firms, (3) government and (4) foreign sector
- **Types of markets:** (1) Goods and Services market (G&S), (2) production factor market, (3) monetary market
- **Types of factors of production:** (1) labour - (rewarded by *Wages*)  
(2) land - (rewarded by *Rents*)  
(3) capital - (rewarded by *Interests*)  
(4) managerial skills / entrepreneurship (rewarded by *Profits*)

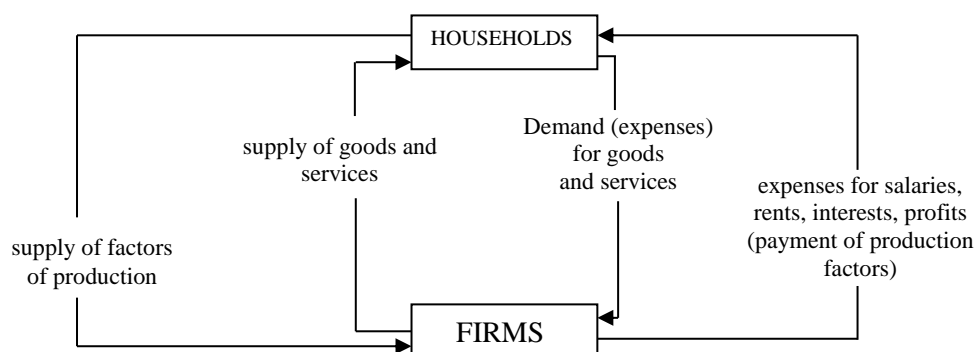


Fig 1. The circular flow of income and expenditure in the case of a closed economy without government sector

## Macroeconomic analysis

(1) requires DATA:

- ✓ Discussion on official statistical data sources (INS, Eurostat, Worldbank, etc.)
- ✓ The difference between nominal and real values
  - $Wage_{real} = \frac{Wage_{nominal}}{CPI}$
  - $GDP_{real} = \frac{GDP_{nominal}}{GDP\ Deflator}$
- ✓ Absolute vs. relative indicators
  - $\Delta Y = Y_1 - Y_0$
  - $I_{Yt/t_0} = \frac{Y_t}{Y_{t_0}} * 100$
  - $I_{Yt/t-1} = \frac{Y_t}{Y_{t-1}} * 100$
  - $r_Y = I_Y - 100$  (ex. economic growth, calculated as the growth rate of real GDP)

(2) requires ECONOMIC MODELS:

### ***2.1 The case of a closed economy without a government***

in terms of revenue allocation:  $Y = C + S$

in terms of demand:  $Y = C + I \quad \Rightarrow S = I$

### ***2.2 The case of a closed economy with government***

$$GDP_{mp} = C + I + G$$

$$GDP_{fp} = GDP_{mp} - T_{ind} + S_v$$

$$Y^D = GDP_{fp} - T_d + TR = C + S \quad \Rightarrow S - I = G - (T_d + T_{ind}) + TR + S_v$$

$$S - I = G - T + TR + S_v$$

$$BD = G - T + TR + S_v \quad (\text{budget deficit})$$

### ***2.3 The case of an open economy, with a government sector***

$$GDP_{mp} = C + I + G + NX$$

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$$\boxed{S - I = G - T + TR + S_v + NX}$$