

Chapter One

Economics



Introduction

Economics, which is universally acknowledged to have fallen under the category of social science, seeks to analyze and describe the production, distribution, and consumption of wealth. The major divisions of economics include microeconomics, which deals with the behavior of individual consumers, business companies, and farmers, and macroeconomics, which focuses on aggregates such as the level of income in an economy, the volume of total employment, and the flow of investment.

Also, it embodies a broad spectrum of human economic activity, public finance, money supply and banking, international trade, industrial organization, the factors responsible for self-sustaining economic growth, etc. Therefore, the study of economics paves the way to further probing into more specified subjects in business.

Teaching Goals

This chapter deals with economy-related issues. Through reading and practice, students will have a clear mind about the basic concepts of some frequently used economic terms. Besides, they are required to explore answers to the following questions: What is economics? What is the scope of economics? What is the diversity of economics? Further more, students can make a detailed

study about the fields of economics.

Teaching Contents

- The Concept of Economics
- Microeconomics and Macroeconomics
- The Income-Expenditure Model
- How a market Solves the Three Economic Problems
- The Governor of the Market

Key Words and Expressions

identical 完全相等或相似的,同样的

scarcity 资源稀缺

pursue 从事(例如,一种职业或爱好)

trade-off 权衡,协调,调换,交换

microeconomics 微观经济学

mechanism 机制

thrive 兴旺,繁荣,茁壮成长,旺盛

converge 聚合,集中于一点

merge 合并,并入

proportion 比例;使成比例

expenditure 支出,花费

inventory 详细目录,存货

stability 稳定性

component 成分;组成的,构成的

exogenous [生]外生的,[医]外因的

glut 过量供应

maximize 最大化

spur 驱使……

monopolistic 垄断的;独立的;专利的

germinal 原始的,初期的

doctrine 主义,学说

allocation 分配,配给

sky-high 极高的

pervasive 蔓延的,渗透的

constrain 强迫,拘束

generate 使发生,产生

civilian pursuits 民用事业

zero in on (使)瞄准……,(使)对准……

grind out 转动生产

lemon 有缺点之物,有瑕疵的人或物

pervasiveness 遍及,无处不在

distribute 分发,分配

macroeconomics 宏观经济学

consumption 消费

stagnate (使)淤塞,(使)停滞

subdiscipline (学科的)分支,分科

inflation 通货膨胀

workforce 劳动力

equilibrium 平衡,均衡

accumulate 积聚,堆积

sustainable 足以支撑的,养得起的

financier 财政家,金融家;欺骗,骗取

turmoil 骚乱,混乱

deficiency 缺乏,不足

ultimately 最后地,最终地

dividend 股息,红利

token 证据,象征

sovereign (权力)最高的;无限的

injurious 引起伤害的,有害的

minuscule 很小的

monopolist 垄断者,专利者

externality 外部的事物

impose 强加(税)于……;征收(税款)

spillover 溢出之物

taxation 税制

raise money 集资

elasticity of demand 需求弹性

figure out 计算出,解决,领会到

Lesson One

The Concept of Economics

Pre-reading Questions

1. If you major in economics, what are the basic questions you want to ask?
2. Can you offer some examples of scarcity?

Helen collapsed on her sofa after a very busy day. As she reviewed the day's events, questions kept popping into her head. That morning, she accepted one of the five job offers she received after graduating from college. She wondered why she was so lucky: Just two years earlier, the unemployment rate was much higher and most graduates were lucky to get even one job offer.

Why does the unemployment rate vary from year to year?

Helen's starting salary was about 80% higher than the salary of the typical high-school graduate and about 10 times higher than the salary in the typical developing nation. She wondered why her salary was so high.

Why do college graduates earn so much more than high-school graduates? Why do workers in the United States earn so much more than workers in developing nations?

Helen bought a three-month-old car with just 4,000 miles on it, paying about \$6,000 less than she would for an otherwise identical new car. It seemed too good to be true. As she drove off the lot, she remembered her friend's warning that used cars are "lemons" and wondered if she'd made a mistake.

Why do so many used cars turn out to be lemons?

Helen was surprised at how easy it was to get a loan from a local bank to pay for her car, and she wondered about how the financial system works.

Where did the bank get the money for her auto loan?

On the way home, Helen stopped to vote in a congressional election. The biggest issue in the campaign was the size of government: One candidate promised to cut down on government structure; while the other promised to develop some new government programs. Helen wondered which candidate was right.

What is the role of government, and is it too large or too small?

As you see from this story, economics is all around us. Our everyday experiences in the economy—as buyers, sellers, workers, and citizens—lead us to question about the state of the national economy, about how markets operate, and about the role of government.

What is economics?

Economics is the study of the choices made by people who are faced with scarcity. Scarcity is a situation in which resources are limited and can be used in different ways, so we must sacrifice one thing for another. Here are some examples of scarcity.

You have a limited amount of time today. If you read this book for an hour, you would have one hour less to spend on other activities, such as studying for other courses, reading the newspaper, or exercising.

A city has a limited amount of land. If the city uses an acre of land to build a park, there is one acre less for apartments, office buildings, or factories.

A nation has a limited number of people, so if it forms an army, it has fewer people to serve as teachers, doctors, and clerks.

Because of scarcity, people must make difficult choices: You must decide how to spend your time; the city must decide how to use its land; and a nation must decide how to divide its people between military and civilian pursuits.

Wherever we look, we are surrounded by economic concerns. The pervasiveness of choice in the face of scarcity is reflected in the definition of economics offered by the famous economist Alfred Marshall (1842–1924): “Economics is the study of mankind in the everyday business of life.”

Each person is faced with dozens of decisions, including what goods to buy, what occupation to pursue, how many hours to work, and how much money to save. A firm must decide what goods to produce and how to produce them. A government must choose a set of public programs and then decide how to raise money to support the programs. Together, the choices made by individuals, firms, and governments determine society’s choices and answer three basic questions.

What goods and services do we produce?

To decide how much of each good to produce, we face some important trade-offs. For example, if we devote more resources to medical care, we have fewer resources for education and consumer goods. If we increase the number of people working in factories, we have fewer people to work on farms and in the classroom.

How do we produce these goods and services?

We must decide how to use our resources to produce what we desire. For example, should we produce electricity with oil, solar power, or nuclear power? Should we teach college students in large lectures or in small sections? Should we produce food on large corporate farms or on small family farms?

Who consumes the goods and services that are produced?

We must decide how the products of society are distributed among people in our society. If some people earn more money than others, should they consume more goods? How much money should we take from the rich and give to the poor?

Notes

1. Helen bought a three-month-old car with just 4,000 miles on it, paying about \$6,000 less than she would for an otherwise identical new car.

译文:海伦买了一辆用了3个月但仅行驶了4,000英里的旧车,比买同款新车少花6,000美元。

identical:完全相等或相似的,同样的

This system is identical to the one used in France.

这个制度和法国采用的制度是一样的。

2. The biggest issue in the campaign was the size of government; One candidate promised to cut down on government structure; while the other promised to develop some new government programs.

译文:这场竞选活动的主要论题是政府的规模问题;一位候选人承诺要削减政府机构,而另一位则承诺要增加新的政府项目。

issue:议题;公众关心的事情

Unemployment is not the issue — the real problem is the decline in public morality.

失业不是问题,真正的问题在于公众道德的下降。

3. Economics is the study of the choices made by people who are faced with scarcity.

译文:经济学就是研究人们在面临资源短缺时作出的各种选择。

scarcity:资源稀缺。在经济学中,scarcity指的是同一种资源被多种用途所需求。因而必须作出一个选择,在这些不同并且相互竞争的用途中分配资源。

the scarcity of labor:劳动力短缺

4. Scarcity is a situation in which resources are limited and can be used in different ways, so we must sacrifice one thing for another.

译文:当资源有限且可以以不同方式使用时,人们不得不为得到某一东西而牺牲另一种东西,这种情形即为短缺。

sacrifice:献出

It's not worth sacrificing your health for your career.

为了工作牺牲你的健康是不值得的。

5. The pervasiveness of choice in the face of scarcity is reflected in the definition of economics offered by the famous economist Alfred Marshall (1842 – 1924): “Economics is the study of mankind in the everyday business of life.”

译文:由著名的经济学家弗雷德·马歇尔提出的经济学定义反映了人们面临资源短缺时需做出选择的普遍性:“经济学就是对人类日常经济生活的研究。”

Alfred Marshall;阿尔弗雷德·马歇尔(1842-1924)。他是近代英国最著名的经济学,剑桥学派(新古典学派)的创始人。剑桥大学教授、经济学家,他的主要贡献在于把古典经济学的一些观念和边际经济学的思想融合在一起。他的《经济学原理》一书被奉为英国经济学的圣经。

pervasiveness;遍及,无处不在

The pervasiveness of influences of television is reflected in the people's everyday life.

电视所带来的广泛影响反映在人们的日常生活中。

6. To decide how much of each good to produce, we face some important trade-offs. For example, if we devote more resources to medical care, we have fewer resources for education and consumer goods.

译文:要决定每种商品需生产多少,我们就会面临着一些重要的权衡。比如:如果我们在医疗保健方面投入较多的资源,那我们在教育和消费品方面的投入就会较少。

trade-offs;权衡,协调

There has to be a trade-off between quality and quantity if we want to keep prices low.

如果想要使价格降低,我们就需要权衡一下质量和数量。

Reviewing Practice

I. Check your comprehension: Decide if the sentences are true or false. Write T or F before each sentence. Compare your answer with your pair's.

1. Everyone is surrounded by economics.
2. Economics is the study of how individuals and societies choose to use the scarce resources that nature and previous generations have provided.
3. Because of scarcity, you have to spend all your time on studying.
4. Each person is faced with a lot of difficult decisions, and individual choices determine society's choices.
5. The three basic questions common to all societies are: what, how and for whom to produce.

II. Familiarize yourself with the following key terms:

A. Choose the statement that defines one of the business terms given below:

loan resource supplier purchase distribute interest

1. to separate something into parts and gives a share to each person or thing
2. to obtain in exchange for money or its equivalent
3. a sum of money lent at interest
4. an available supply that can be drawn on when needed
5. a charge for a loan, usually a percentage of the amount loaned
6. a person or organization that provides necessary goods or services

B. Match the English expressions with the following Chinese terms:

- | | | | |
|--------|---------|---------|---------|
| 1. 失业率 | 2. 金融事务 | 3. 汽车信贷 | 4. 军用事业 |
|--------|---------|---------|---------|

5. 民用事业	6. 集资	7. 医疗保健	8. 经济利害
financial affairs	auto loan	civilian pursuits	raise money
unemployment rate	medical care	economic concerns	military pursuits

III. Vocabulary practice: Fill in the blanks with the proper words or expressions you have learned from the text given below to finish the following sentences.

exchange	vary	campaign	purchase
issue	resources	distribute	economic

1. A market economy is an economic system in which prices determine how resources will be used and how products will be _____.
2. Our university offers us many subjects _____ from accounting to biology.
3. Our _____ growth was 7.8% last year.
4. During the crisis, the _____ power is very weak.
5. The global phenomenon of "brain drain" is deskilling the human _____ in Third World countries.
6. For most countries, to export labors is a way to accumulate foreign _____.
7. The company has launched its annual Spring Festival _____ to promote sales of their products.
8. I just got a raise, so money's not an _____.

IV. Translation.

1. Human have many different types of wants and needs. Economics looks only at man's material wants and needs. These are satisfied by consuming commodities — either goods (physical items such as food) or services (non-physical items such as heating).
2. The three basic questions common to all societies are: what, how and for whom to produce. The first two questions represent problems of production while the third is a problem of distribution.
3. Human wants and needs are virtually unlimited, unfortunately, on the other side, people find themselves in a situation of scarcity.
4. Perhaps the oldest question in economics is why some countries are rich while others are poor. There is little doubt that in many developing countries highly educated workers are scarce.

V. Oral practice: Discuss the following two questions with your group members in English.

1. How would you define economics? Please list the economic phenomena in your life.
2. Why do people have to make difficult choices economically? Can you explain it with your own experience?

Lesson Two

Microeconomics and Macroeconomics

Pre-reading Questions

1. What is your interpretation of the two special terms: macroeconomics and microeconomics?
2. Can you tell your partner the major objectives of both macroeconomics and microeconomics?

Economics has deep roots in, and close ties to, social philosophy. An issue of great importance to philosophers, for example, is distributional justice. Why are some people rich and others poor, and whatever the answer, is this fair? A number of nineteenth-century social philosophers wrestled with these questions, and out of their musings economics and separate discipline were born.

Now let's explore briefly the way economics is organized. First of all, there are two major divisions of microeconomics and macroeconomics.

Adam Smith is usually considered the founder of the field of microeconomics, the branch of economics which today is concerned with the behavior of individual entities such as markets, firms, and households. In *The Wealth of Nations*, Smith considered how individual prices are set, studied the determination of prices of land, labor, and capital, and inquired into the strengths and weaknesses of the market mechanism. Most importantly, he identified the remarkable efficiency properties of markets and saw that economic benefit comes from the self-interested actions of individuals. All these are still important issues today. The study of microeconomics has surely advanced greatly since Smith's day, yet he is still cited by politicians and economists alike.

The other major branch of our subject is macroeconomics, which is concerned with the overall performance of the economy. Macroeconomics did not even exist in its modern form until 1935, when John Maynard Keynes published his revolutionary *General Theory of Employment, Interest and Money*. At the time, England and the United States were still stuck in the Great Depression of the 1930s, and over-quarter of the American labor force was unemployed. In his

new theory Keynes developed an analysis of what causes unemployment and economic downturns, how investment and consumption are determined, how central banks manage money and interest rates, and why some nations thrive while others stagnate. Keynes also argued that governments had an important role in smoothing out the ups and downs of business cycles. Although macroeconomics has progressed far since his first insights, the issues addressed by Keynes still define the study of macroeconomics today.

The two branches — microeconomics and macroeconomics — converge to form modern economics. At one time the boundary between the two areas was quite distinct; more recently, the two sub-disciplines have merged as economists have applied the tools of microeconomics to such topics as unemployment and inflation.

In macroeconomics we study the economy as a whole; in microeconomics we look at individual markets. The distinction is important. In microeconomics we might examine the effects of an increase in the price of tomatoes. We can apply the Law of Demand which tells us that — all other things remaining the same — the quantity of tomatoes that people will purchase will go down when the price goes up. We can introduce the concept of price elasticity of demand and attempt to measure how large or small an effect the price increase will have on the quantity purchased. In macroeconomics we might examine the effects of inflation — all prices going up at once. Obviously, the outcome will be quite different.

We would need to make the same type of distinction if we were studying labor markets. If the wages of a particular type of labor — short-order cooks, for example — were to increase we could predict that employers would find ways to get by with fewer hours of that type of labor. That is microeconomics. But if wages were to increase across the entire economy, prediction would be much more complicated. When we just study the wages of short-order cooks, we can ignore the effect that their extra earnings will have on their demand for goods and services since they make up a small proportion of the workforce. But when all wages go up, the effect on overall demand is too large to ignore — so we will have to apply the theories of macroeconomics.

In short, microeconomics is the economics of one thing at a time and macroeconomics is the economics of everything at once.

Notes

1. First of all, there are two major divisions of microeconomics and macroeconomics.

译文:首先,有微观经济学和宏观经济学两大分支。

microeconomics; 微观经济学。微观经济学是以单个经济单位为研究对象,通过研究单个经济单位的经济行为和相应的经济变量单项数值的决定来说明价格机制如何解决社会的资源配置问题。

macroeconomics; 宏观经济学。所谓宏观经济学则是以整个国民经济为研究对象,通过研究经济总量的决定及其变化,来说明社会资源的充分利用问题。

2. Adam Smith is usually considered the founder of the field of microeconomics, the branch of

economics which today is concerned with the behavior of individual entities such as markets, firms, and households.

译文:亚当·斯密通常被看成微观经济学的奠基人,微观经济学是与单个主体如市场、企业和家庭行为有关的一个经济学分支。

Adam Smith 亚当·斯密(1723 – 1790)18 世纪英国哲学家、经济学家,是资产阶级经济学古典学派的主要奠基人之一,也是国际分工与国际贸易理论的创始人。其代表作为《国富论》(*The Wealth of Nations*)。

be concerned with:牵涉到,与……有关,参与

Mathematics is concerned essentially with understanding abstract concepts.

数学实质上是与理解抽象概念有关。

3. In *The Wealth of Nations*, Smith considered how individual prices are set, studied the determination of prices of land, labor, and capital, and inquired into the strengths and weaknesses of the market mechanism.

译文:在《国富论》中,斯密考虑如何确定价格,研究如何决定土地,劳动力和资本的价格并探究市场机制的优与劣。

The Wealth of Nations:《国富论》出版于资本主义发展初期,书中总结了近代初期各国资本主义发展的经验,批判吸收了当时的重要经济理论,对整个国民经济的运动过程作了系统的描述,被誉为“第一部系统的伟大的经济学著作”。该书作者亚当·斯密因此获得了政治经济学古典学派“创立者”的称号。

the market mechanism:市场机制。市场有机体内部各方面在市场交换活动中建立的互制约和影响的内在有机联系形式。具体讲,市场主体在市场上进行相互联系和相互作用的活动所形成的价格、利率、竞争、税率、供求、风险等方面联系和制约方式就是市场机制。

4. Macroeconomics did not even exist in its modern form until 1935, when John Maynard Keynes published his revolutionary *General Theory of Employment, Interest and Money*.

译文:现代宏观经济学直到 1935 年凯恩斯发表其革命性巨著《通论》之后才形成。

John Maynard Keynes:凯恩斯,英国经济学家,1883 年诞生,1946 年逝世。人们常把他描述成一个不同寻常的天才人物。

General Theory of Employment, Interest and Money:《就业,利息和货币通论》(简称《通论》)凯恩斯在此书中提出了一国总产量和就业量取决于“有效需求”的理论,也就是对失业原因的分析,这是“凯恩斯主义”中的核心问题。《通论》的一个基本观点,就是有效需求的大小决定就业量的高低,所谓有效需求,是预期可给资本家带来最大利润的社会总需求;资本家按此社会总需求决定他们的产量并提供就业机会。失业的直接原因就是:当社会对企业生产产品的需求不断减少时,资本家也就不再增加投资了,这时就业量就会减少,以致造成工人失业。失业的终极原因是资产所有者的货币愿望过强所造成的。如果中央银行的货币供应量减少,而资产所有者的货币愿望过强,企业家为了自身的最大利润,就不会进行充分的投资;如果投资少,有效需求就不能充分实现,国民收入和就业量也就会呈较低水平,这时即产生失业。

5. In his new theory Keynes developed an analysis of what causes unemployment and economic downturns, how investment and consumption are determined, how central banks manage

money and interest rates, and why some nations thrive while others stagnate.

译文:在其新理论中,凯恩斯分析了失业和经济下滑的原因,投资和消费如何决定,中央银行如何管理货币及利率,为何有些国家发展迅速而有些停滞不前。

thrive: 兴旺,繁荣,茁壮成长,旺盛

A business cannot thrive without good management.

管理不善的企业不可能兴盛。

6. At the time, England and the United States were still stuck in the Great Depression of the 1930s, and over-quarter of the American labor force was unemployed.

译文:当时,英国和美国仍然处在二十世纪三十年代的大萧条中,其中在美国超过四分之一的劳动者都失业了。

the Great Depression: 这里指美国 20 世纪 30 年代的经济大萧条,亦称 30 年代大危机。它也是资本主义国家经济史上最持久、最深刻、最严重的经济危机。这场危机首先爆发于美国。1929 年 10 月 28 日纽约股票市场价格在一天之内下跌 12.8%,大危机由此开始。紧接着就是银行倒闭、生产下降、工厂破产、工人失业。大危机从美国迅速蔓延到整个欧洲和除苏联、蒙古以外的全世界。危机持续时间达 5 年之久(1929 - 1933),为历史世界经济危机之所罕见。当时,美国工业生产下降 40.6%,企业破产达 14 万家。其中 1932 年,美国失业率达到 32%。

7. Keynes also argued that governments had an important role in smoothing out the ups and downs of business cycles.

译文:凯恩斯也谈到政府在消除商业周期性兴衰中起着重要作用。

smooth out: 消除,使平滑

They smoothed out the map on the table and planned their route.

他们把地图在桌子上拉平,计划他们的路线。

ups and downs: (通常作比喻用法)好运与坏运的交替;盛衰;沉浮

We have our ups and downs like all couples.

我们像所有的夫妻一样有高兴和烦恼。

8. At one time the boundary between the two areas was quite distinct; more recently, the two sub-disciplines have merged as economists have applied the tools of microeconomics to such topics as unemployment and inflation.

译文:两大领域的界限曾经很明显,但近来由于经济学家们把微观经济学工具用于失业和通货膨胀等分析两者便趋于融合。

9. If the wages of a particular type of labor — short-order cooks, for example — were to increase we could predict that employers would find ways to get by with fewer hours of that type of labor.

译文:如果某种劳动力的工资增加(例如短期厨师),我们可预言雇主会想方设法减少该劳动力的使用。

get by: 通过,混过

How can he get by on such low wages?

以如此低微的工资他如何能度日?

Reviewing Practice

I. Check your comprehension: Decide if the sentences are true or false. Write T or F before each sentence. Compare your answer with your pair's.

1. Adam Smith, the “father of modern economics”, was the author of the famous book: *The Wealth of Nations*.
2. Microeconomics and macroeconomics are the two vantage points from which the economy is observed.
3. John Maynard Keynes is usually considered as the founder of the field of Microeconomics.
4. Macroeconomics examines the functioning of individual industries and the behavior of individual decision-making units; microeconomics examines the behavior of a country's economy as a whole.
5. When microeconomics focuses on individual product prices and relative prices, macroeconomics looks at the overall price level and how quickly (or slowly) it is rising (or falling).
6. The boundary between the two areas — microeconomics and macroeconomics — was quite distinct. Therefore the two sub-disciplines can't be merged.

II. Familiarize yourself with the following key terms: Choose the statement that defines one of the business terms given below.

revolutionary inflation consumption workforce household macroeconomic

1. usage
2. all persons (family, lodgers, etc.)
3. the study of financial systems at a national level
4. the rise in prices
5. labor force
6. active for change

III. Make sentences using the following words or patterns.

1. be concerned with. . .
2. thrive
3. determine
4. inquire into. . .
5. get by

IV. Translation.

1. Economics has deep roots in, and close ties to, social philosophy.
2. Macroeconomics is concerned with the overall performance of the economy, and

microeconomics is concerned with the behavior of individual entities such as markets, firms, and households.

3. In macroeconomics we study the economy as a whole; in microeconomics we look at individual markets.
4. 我们学习经济学就是为了从整体和个体两个方面研究一个国家的经济。
5. 经济学的范围非常广泛,它包括许多不同的经济领域。
6. 尽管微观经济学和宏观经济学存在固有的联系,但他们仍然是不同的。

V. Oral practice: Discuss the following questions with your group members in English.

1. Can you tell us what the difference between microeconomics and macroeconomics is?
2. Explain the following terms to your partner in your own words.

Law of Demand Great Depression elasticity of demand unemployment

Lesson Three

The Income-Expenditure Model

Pre-reading Questions

1. Can you give some examples of how output adjusts to demand?
2. What does equilibrium mean in economics?

Macroeconomic Equilibrium

We're making a model of the entire national economy, or macro economy. We base it on the following idea: if total output exceeds what people want to buy, there will be stuff left over — which means that inventories of unsold goods will rise. On the other hand if people want to buy more than is produced during some period, what will happen is that previously accumulated inventories of goods will fall.

Think about a shoe store. It has a certain amount of inventory that it wants to keep on hand at all times so as to be able to meet normal customer demand. If customers buy shoes at a slower rate than it gets new shipments from the manufacturers, inventory will rise. If on the other hand customers buy shoes at a more rapid pace than it gets shipments from the factory, inventory falls. Think about the entire economy this way and you understand how we think output adjusts to demand.

Equilibrium just means a position of stability. If inventories are rising, we are not in equilibrium because too many goods are being made, and sooner or later factories are going to have to cut production because the current level of output is not sustainable. If inventories are falling, we are not in equilibrium because too few goods are being made, and sooner or later factories are going to have to increase production. In other words macro equilibrium is when total output is equal to total desired expenditures. We believe that the national economy will move toward such macro equilibrium on its own.

When we set up our macro framework, we said that $C + I + G = Y$ (consumption + investment + government purchase = Income)

In other words the three components of demand equal output. So does this mean we're always in macro equilibrium? No. The key here is I , or capital investment. " I " includes accumulation of inventory, whether firms want it or not. In other words, in order to make our national income accounting framework hang together, we just assigned any unsold output to I — it's like saying to a firm: if you made it and didn't sell it, you bought it. In other words for the purpose of making our accounting framework add up, inventory change is a sort of shock absorber that makes demand equal to output.

So let's distinguish between "planned investment," or I_p , and total investment, which is I_p plus unintended inventory changes. So while $C + I + G = Y$ is always true, $C + I_p + G = Y$ is only true when we are in macro equilibrium. In other words, since we said $I = I_p + \text{unplanned inventory change}$, we have macro equilibrium only when unplanned inventory change = 0 which is what we said above.

Aggregate Supply and Aggregate Demand

Let's repeat our macro equilibrium condition $C + I_p + G = Y$.

And read it this way: we have macro equilibrium when people want to buy all the goods that firms produce. The income-expenditure model therefore zeroes in on the problem that firms face in a modern capitalist economy of figuring out how much to make and offer for sale in any given period. Because production and transport of goods takes a lot of time, a firm may have to predict consumer demand for its output a year or more in advance.

In the income-expenditure model, total output responds to the demand for it. In other words, aggregate supply is driven by aggregate demand. (Not all models work like this.) That means that to figure out what the equilibrium level of output is, we have to figure out how much demand there is. That means that we have to know what determines the levels of C , I_p , and G .

In this particular model, the answers for the last two are easy. We will assume they are fixed and unchanging. We will assume that businesses make plans about how much capital equipment they want to acquire, and do not change those plans. We will assume that G is set through some political process. We will similarly assume that T (tax) is fixed. In financier language, G , I_p , and T are "exogenous" to this model.

That leaves C , which is at the center of this model. What determines how much consumers spend? Well, their income, Y . But we've just said that Y is partly determined by C , since C is an element of demand. So C affects Y and Y affects C .

Notes

1. We base it on the following idea: if total output exceeds what people want to buy, there will be stuff left over — which means that inventories of unsold goods will rise.

译文: 我们基于以下想法: 如果总产出超过人们购买力就有剩余, 这就意味着未卖出去的存货增加。

exceed:超越,胜过

He was fined for exceeding the speed limit.

他因驾车超速被罚款。

2. If inventories are rising, we are not in equilibrium because too many goods are being made, and sooner or later factories are going to have to cut production because the current level of output is not sustainable. If inventories are falling, we are not in equilibrium because too few goods are being made, and sooner or later factories are going to have to increase production.

译文:如果存货增加,因为生产过多经济处于不平衡,商家迟早会减少生产因为当前的产出水平不可持续。如果存货减少,因为生产过少经济处于不平衡,商家迟早会增加生产。

sustainable:可以忍受的,足以支撑的,养得起的

More and more people pay attention to the sustainable economic growth.

越来越多的人关注经济的可持续增长。

3. $C + I + G = Y$ (consumption + investment + government purchase = Income)
- 这是不考虑进出口的情况下计算国民收入的公式。计算 GDP 有三种方法,也就是支出法、收入法和生产法。用支出法计算可以运用公式:国内生产总值 = $C + I + G + (X - M)$, 计算国内生产总值;用收入法计算可以运用公式:国内生产总值 = 工资 + 利息 + 地租 + 利润 + 折旧 + (间接税 - 政府补贴);用收入法计算国内生产总值就是计算各部门增值的总和。本文中不考虑进出口。

4. So let's distinguish between "planned investment," or I_p , and total investment, which is I_p plus unintended inventory changes.

译文:让我们区别“计划投资”即 I_p 和总投资,后者是计划投资与非计划存货变化之和。

distinguish:区别,辨别

It's important to distinguish between tax avoidance and tax evasion.

区别避税和漏税是重要的。

5. The income-expenditure model therefore zeroes in on the problem that firms face in a modern capitalist economy of figuring out how much to make and offer for sale in any given period.

译文:因此,收入—支出模型集中在厂商面临的这样一个问题:现代资本主义经济中特定时期生产和销售多少商品。

zero in on:(使)瞄准……,(使)对准……

Hayley zeroed in on the toys the minute she saw them.

海莉一看见玩具,目光就盯在玩具上。

6. That means that to figure out what the equilibrium level of output is, we have to figure out how much demand there is.

译文:这就意味着要想计算产量的平均水平,就必须先计算出需求量。

figure out:计算出,解决,领会到

I can't figure that man out. He puzzled me.

我不了解那个人。