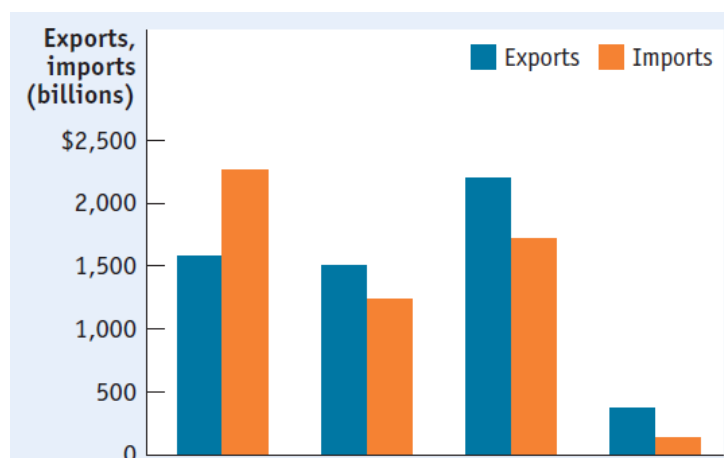


CONCEPT: INTRODUCING MACROECONOMIC CONCEPTS – TRADE DEFICIT AND SURPLUS

● **Open Economy** – an economy that trades goods and services with other countries

- ☐ **Exports** – Goods and services _____ to other countries
- ☐ **Imports** – Goods and services _____ from other countries
- ☐ **Trade Surplus** → Exports _____ Imports
- ☐ **Trade Deficit** → Exports _____ Imports



● So is a trade deficit a bad thing? Is a trade surplus a good thing?

- ☐ The answer is _____
- ☐ International trade is the result of _____: countries export goods they are good at producing
- ☐ The determinants of the balance between surplus and deficit lie in the details of Savings and Investment
 - > **Savings** – current consumption is _____ current output
 - > **Investment** – current resources are devoted to _____ future output

Financial Investment:

Economic Investment:

- ☐ For now, understand that these terms describe the current condition, but not exactly the strength of an economy