

Prof. Dr. Michael Bolle

Seminar: Winter Term 19-20

Modern Political Economics

Session 3.1 Economics: Pure and Simple

Some Fundamentals II

$$g = k \left[\frac{I}{Y} \right]$$

$$\frac{S}{Y} = \frac{I}{Y} + \frac{Ex-Imp}{Y}$$

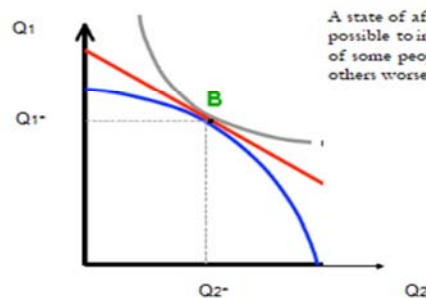
$$\left. \begin{array}{l} \text{If } \frac{S}{Y} < \frac{I}{Y} \\ \Rightarrow Ex-Imp < 0 \end{array} \right\}$$

g: Growth Rate of GNI
k: Marginal Productivity of Capital
I: Investment
Y: GNI
S: Saving

i.e. a Current Account Deficit
 \Rightarrow **Net Cap. Exp.**

Pareto Optimality

• Market Equilibrium



A state of affairs where it is not possible to improve the well-being of some people without making others worse off.

But it's not that simple -----since Adam Smith, Karl Marx and
.....there has been a lively debate, see 3.2