

# Economic Dynamics

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Lecture 8: MacroLab Framework & Flow of Funds

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System Dynamics Group

# Economic Dynamics 2019



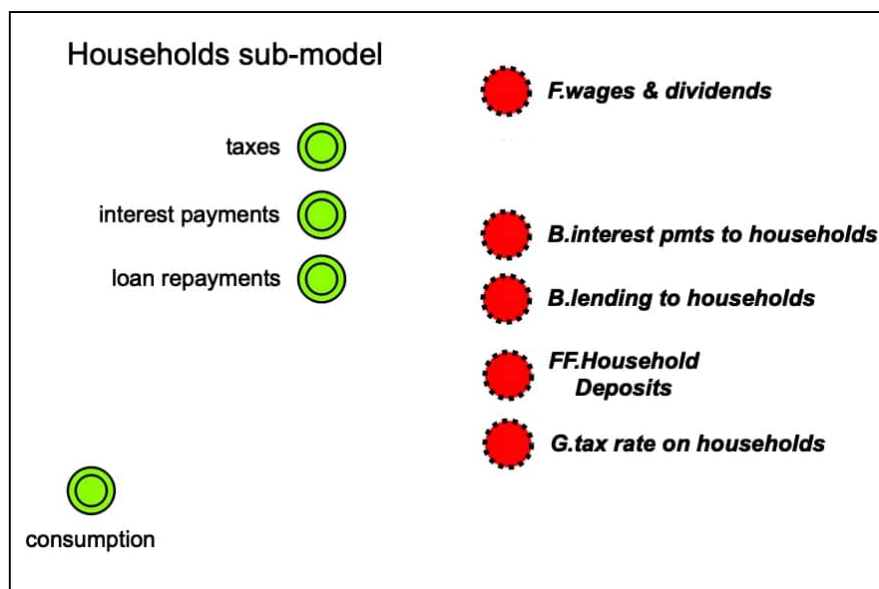
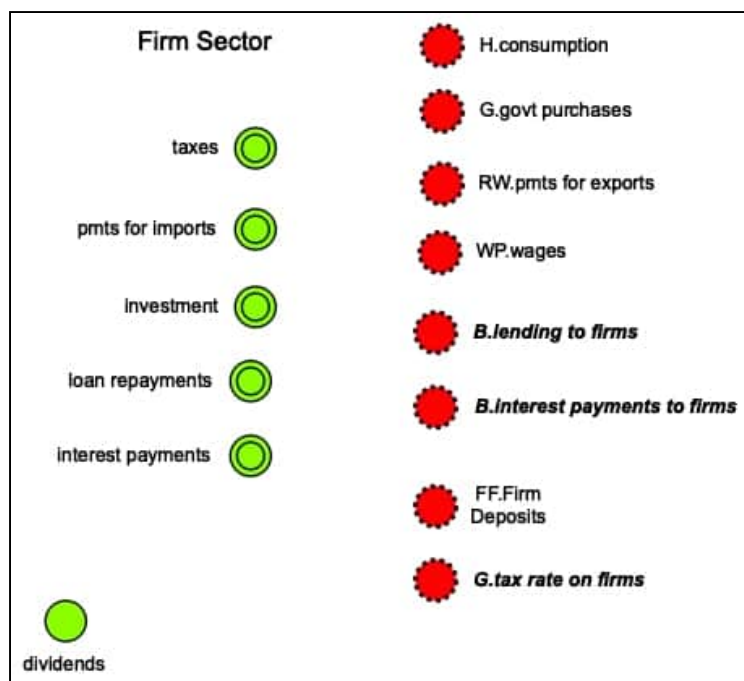
Sep 5	Introduction to Dynamic Modeling
Sep 12	Structure & Behavior of Dynamic Systems
Sep 19	Guest Lecture
Sep 28	Inventory-Labor Model
Oct 3	Simple Keynesian Dynamics: Closed Economy
Oct 10	Simple Keynesian Dynamics: Open Economy
Oct 17	Keynesian Dynamics: Where are the Stocks?
Oct 24	<b>Autumn Break</b>
<b>Today</b>	<b><i>MacroLab: Flow of Funds &amp; Stock-Flow Consistency</i></b>
Nov 7	MacroLab: Demand Side Behavioral Hypotheses
Nov 14	MacroLab: Supply Side Behavioral Hypotheses
Nov 21	MacroLab: Complete Model
Nov 22-Dec 11	review for exam
Dec 5 - 10	review lectures at LNU (5 <sup>th</sup> ) and NaUKMA (10 <sup>th</sup> )
Dec 12	<b>Final Exam</b>

# New Assignment

Assignment: Develop a hypothesis\* and write an equation for

• Dividends paid by Firms (NaUKMA)

• Consumption paid by Households (LNU)

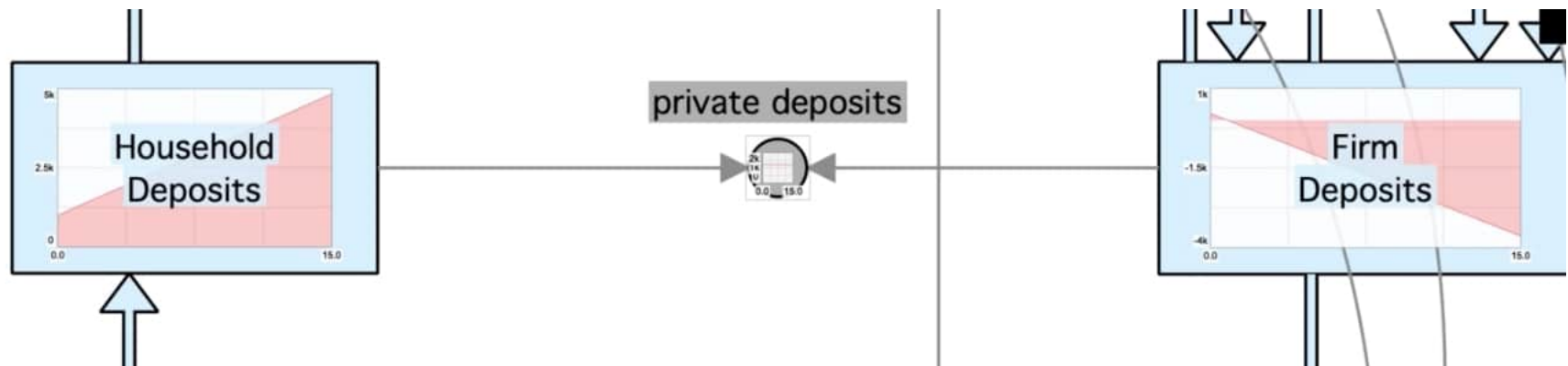


\*Be prepared to explain your hypothesis

# Keynesian Model: No Stocks



... but we found them



Some ways to balance the stocks:

1. Firms borrow from Households to fund exogenous investment
2. Firms withholding enough profits to fund exogenous investment

# Flow of Funds Model



Specify the Stocks and Flows of money.

All money that goes somewhere,  
comes from somewhere.