

# Lecture 1 Summary (1)

## **LO. Explain the main functions of the financial system.**

The curriculum outlines six purposes for why people use the financial system:

- To save money for the future.
- To borrow money for current use.
- To raise equity capital.
- To manage risks.
- To exchange assets for immediate and future deliveries.
- To trade on information.

Three main functions of the financial system are to:

- Achieve the purposes for which people use the financial system.
- Discover the rates of return that equate aggregate savings with aggregate borrowings.
- Allocate capital to the best uses.