

BDM

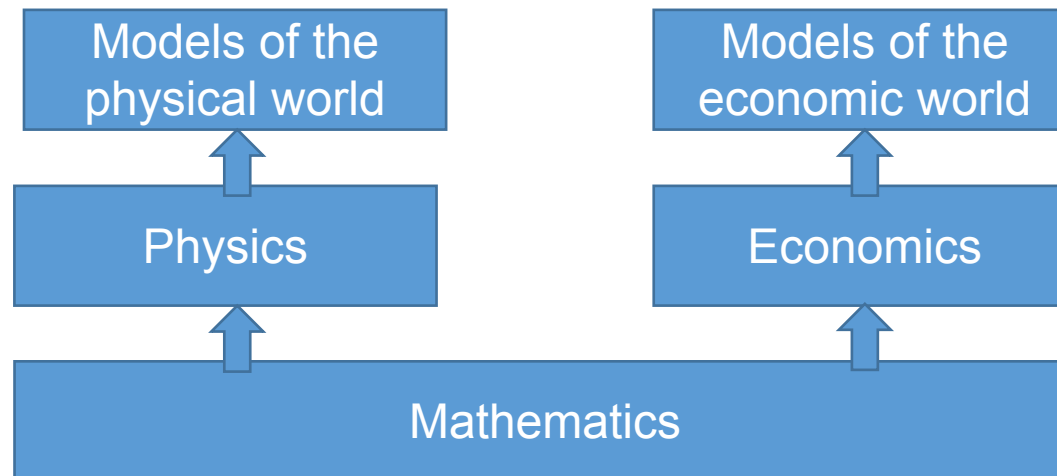
**Introduction to
Economics**

Need for an underlying method of modeling

- Where do we start if we have to understand what companies do?
- What model do we use to interpret the data that is generated from their operations?
- What does the consumption data indicate in terms of future consumption trends?
- What does the data about trade in goods and services tell us?

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Economics tries to create mathematical models that can be used to explain the economic behaviour of people and firms

Trade creates value



Punjab

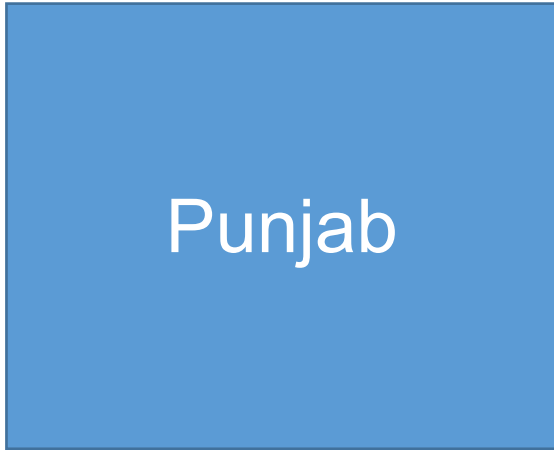
Punjab produces excess wheat
that they cannot consume locally



Tamil Nadu

Tamil Nadu produces makes more
mobile phones than what is needed locally

Trade creates value



Punjab

Punjab produces excess wheat
that they cannot consume locally

People in Punjab need mobile phones
which are not made locally

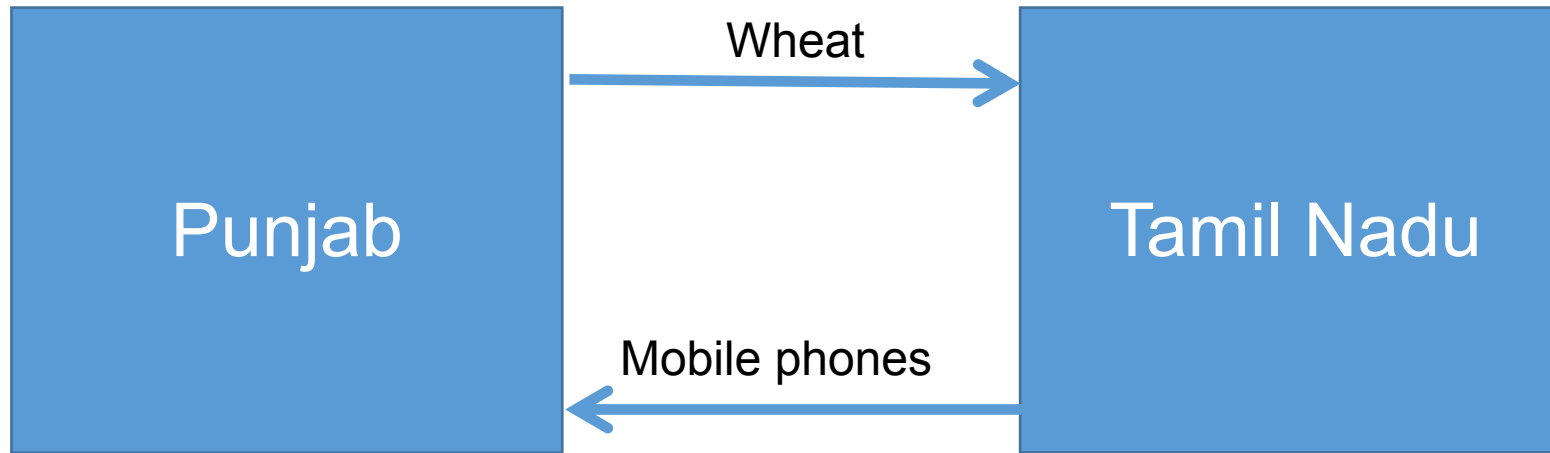


Tamil Nadu

Tamil Nadu produces makes more
mobile phones than what is needed locally

People in Tamil Nadu need wheat which is
not grown in adequate quantities locally

Trade creates value



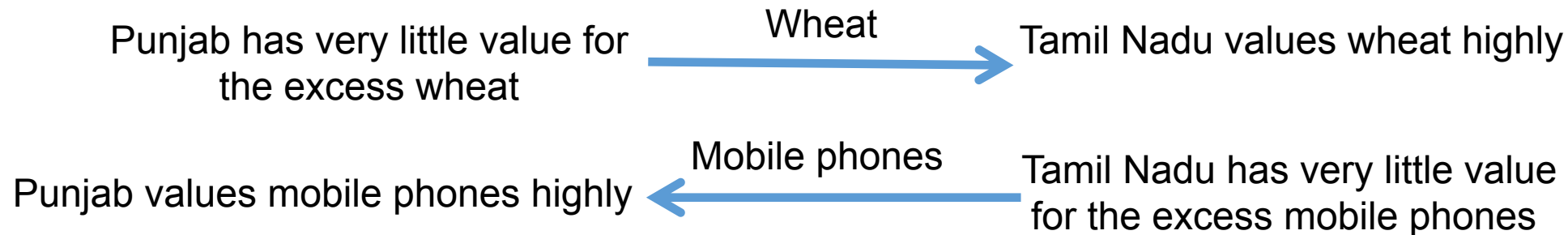
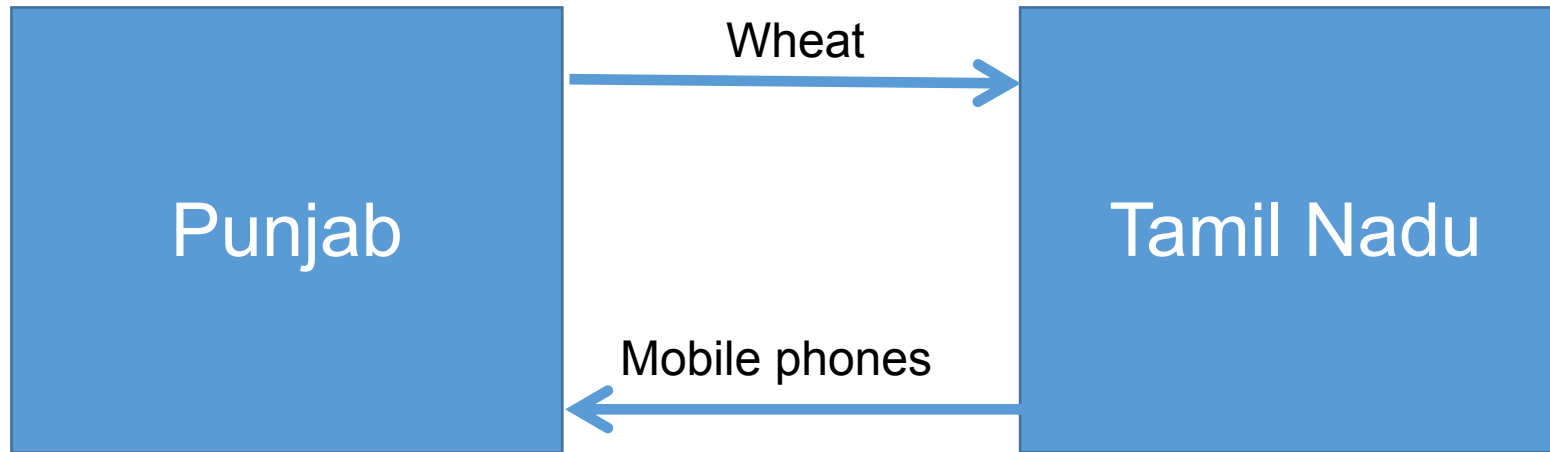
Punjab produces excess wheat that they cannot consume locally

People in Punjab need mobile phones which are not made locally

Tamil Nadu produces makes more mobile phones than what is needed locally

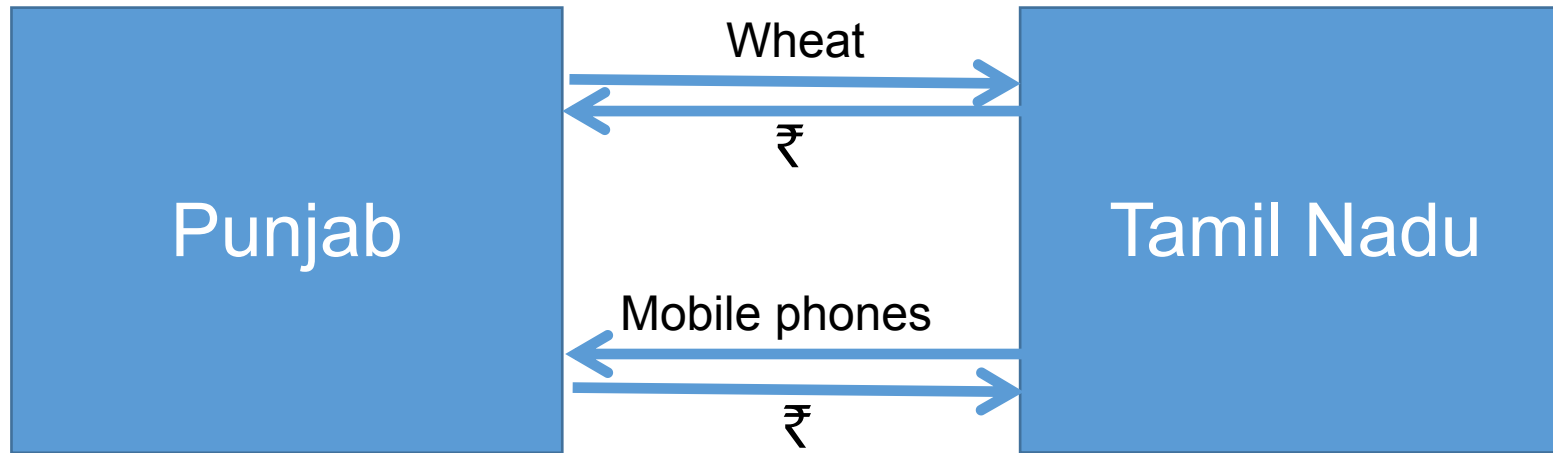
People in Tamil Nadu need wheat which is not grown in adequate quantities locally

Trade creates value

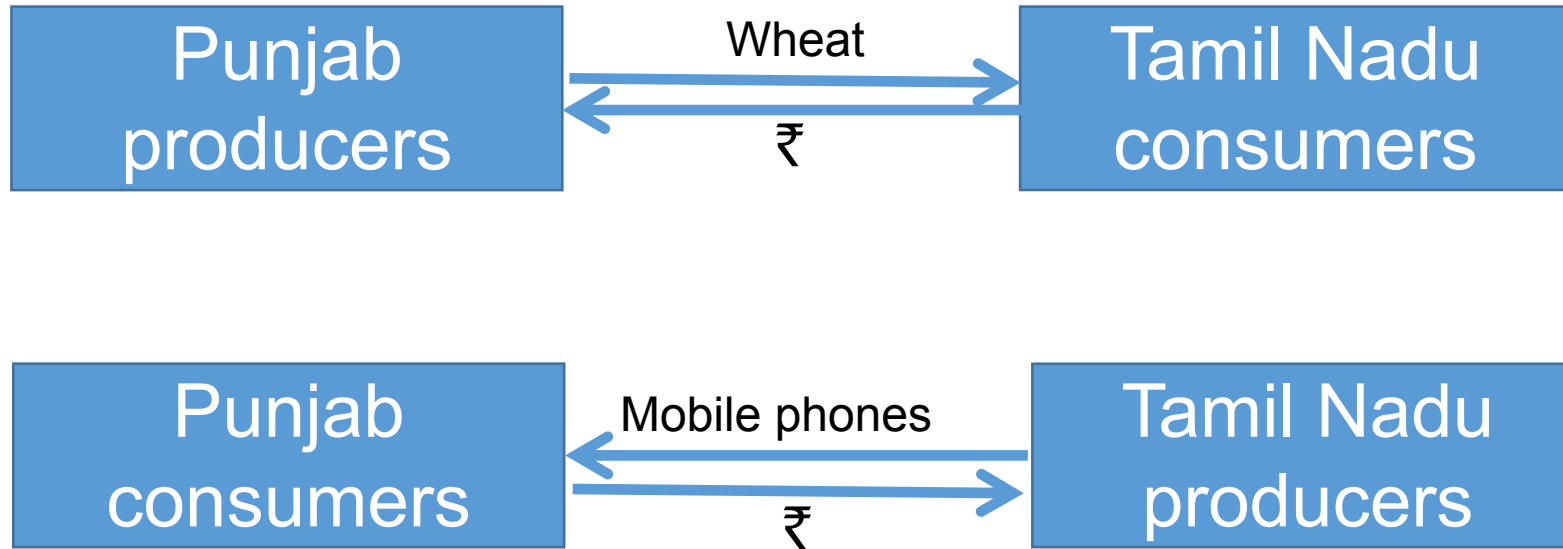


The barter trade between Punjab and Tamil Nadu increases value for both

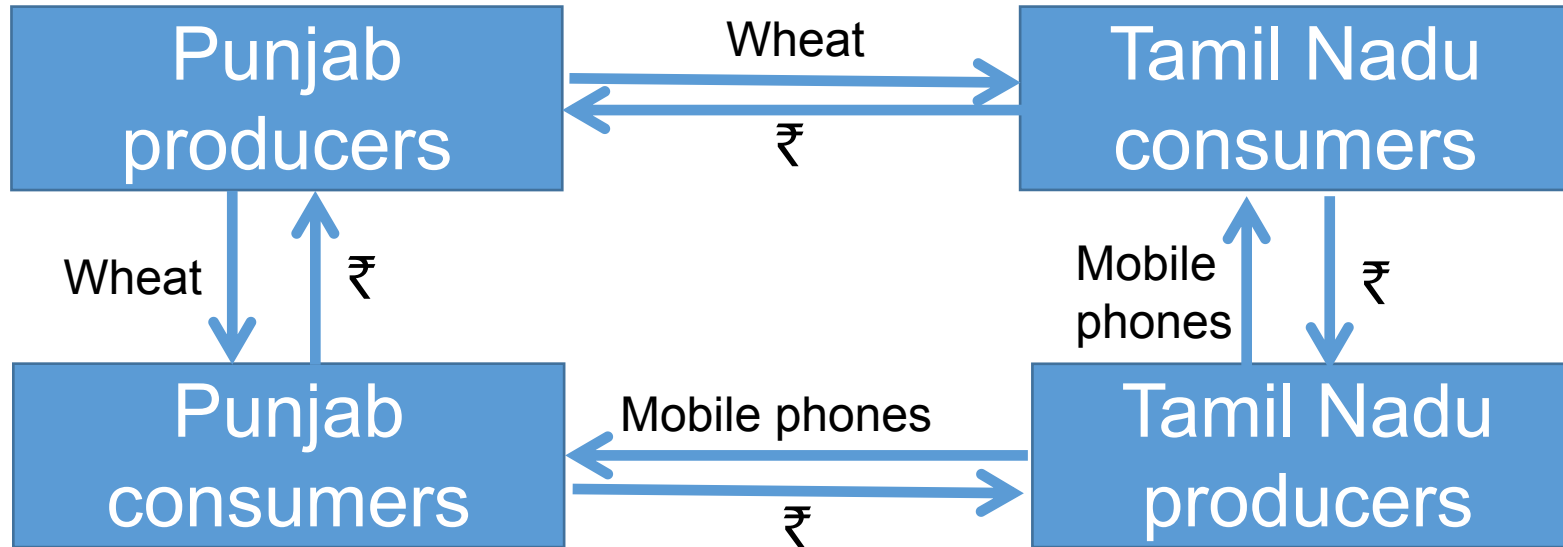
Trade is settled using money



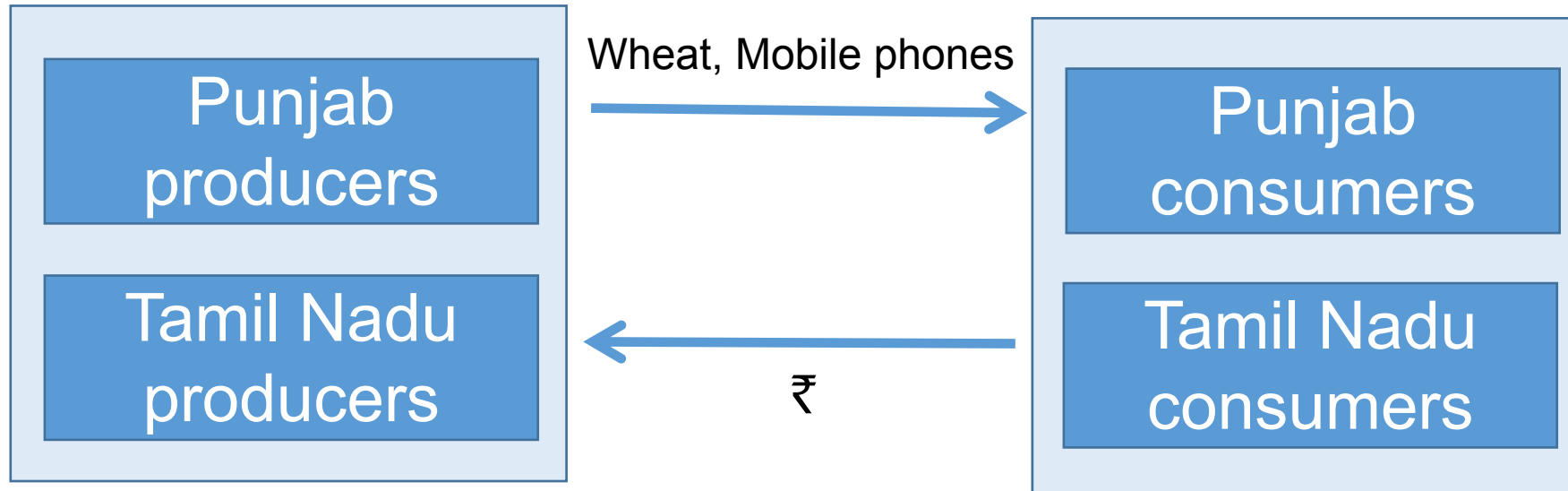
Producers and Consumers



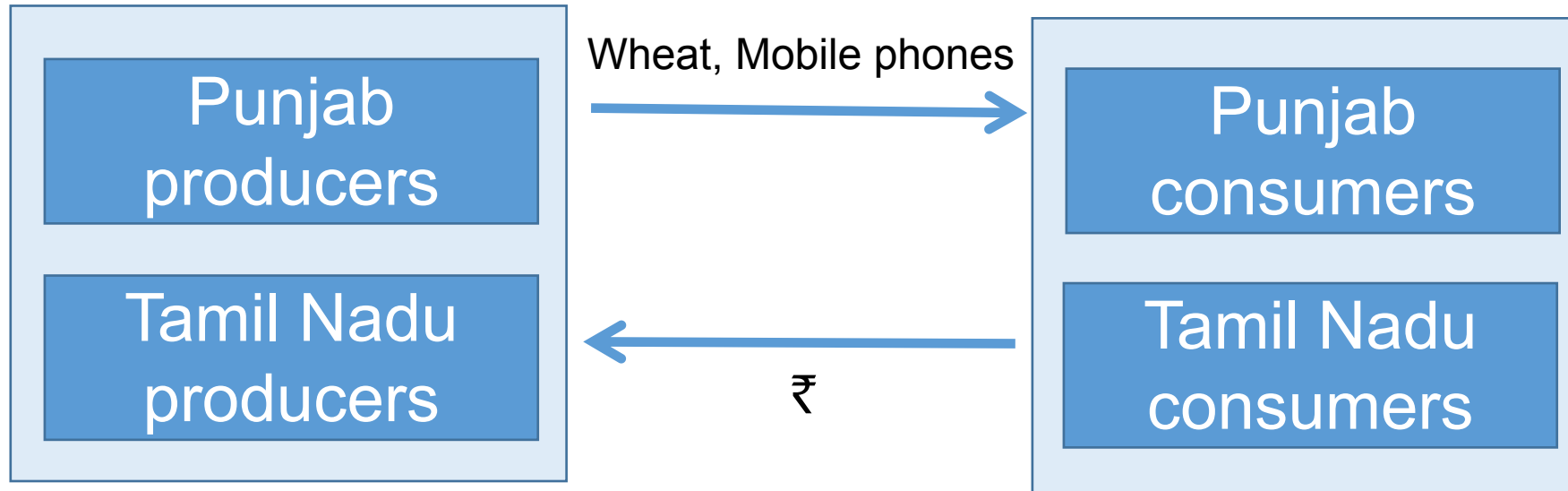
Producers and Consumers



Producers and Consumers

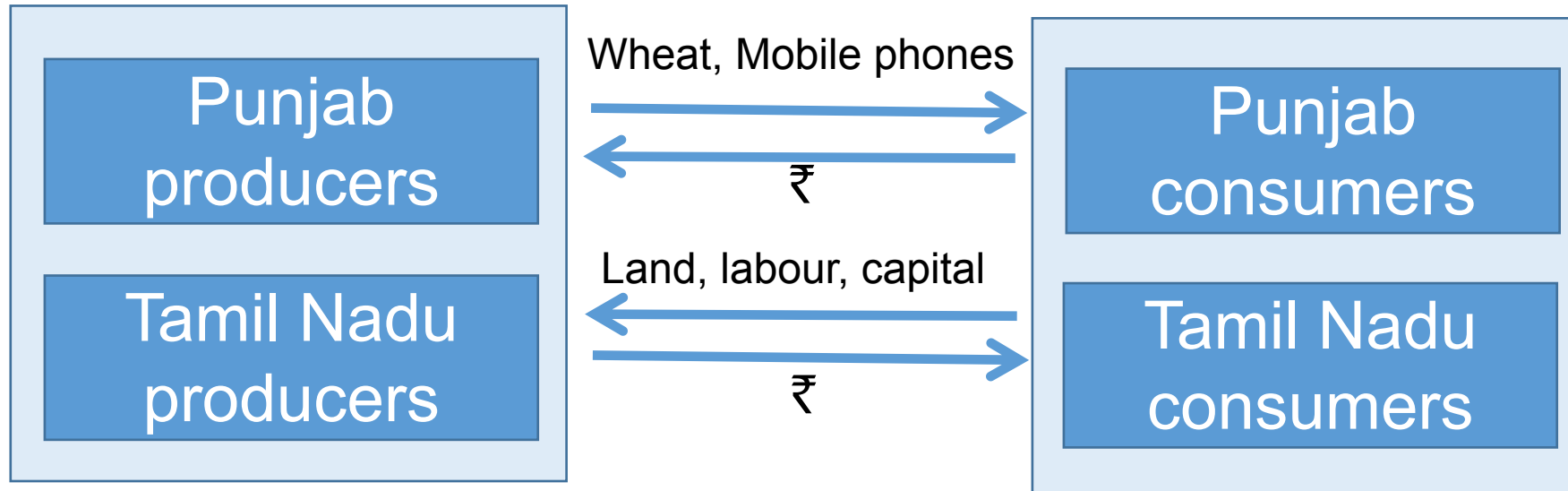


Producers and Consumers

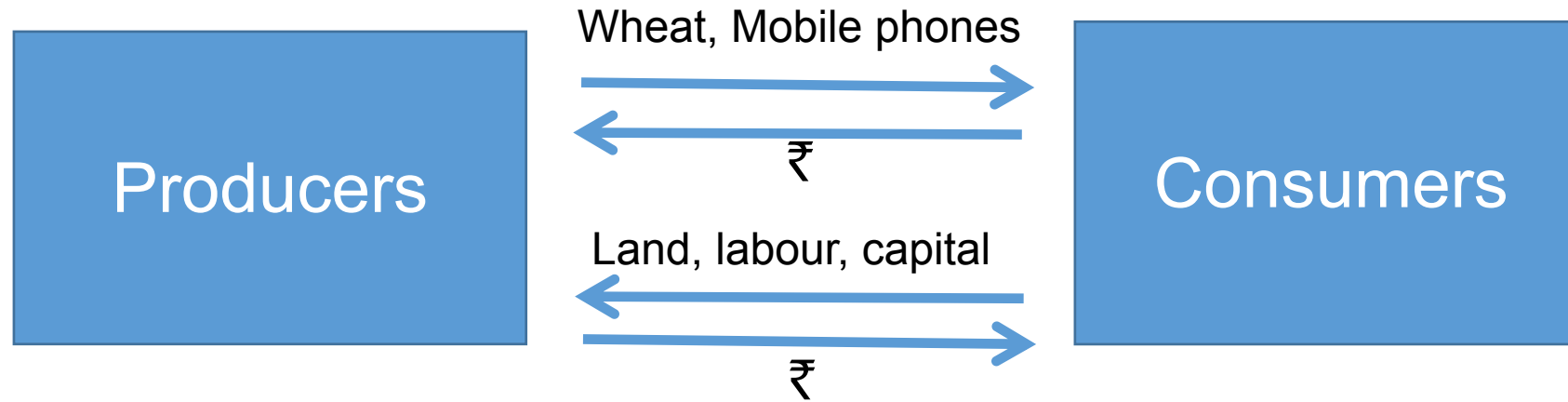


Where do the consumers get their ₹?

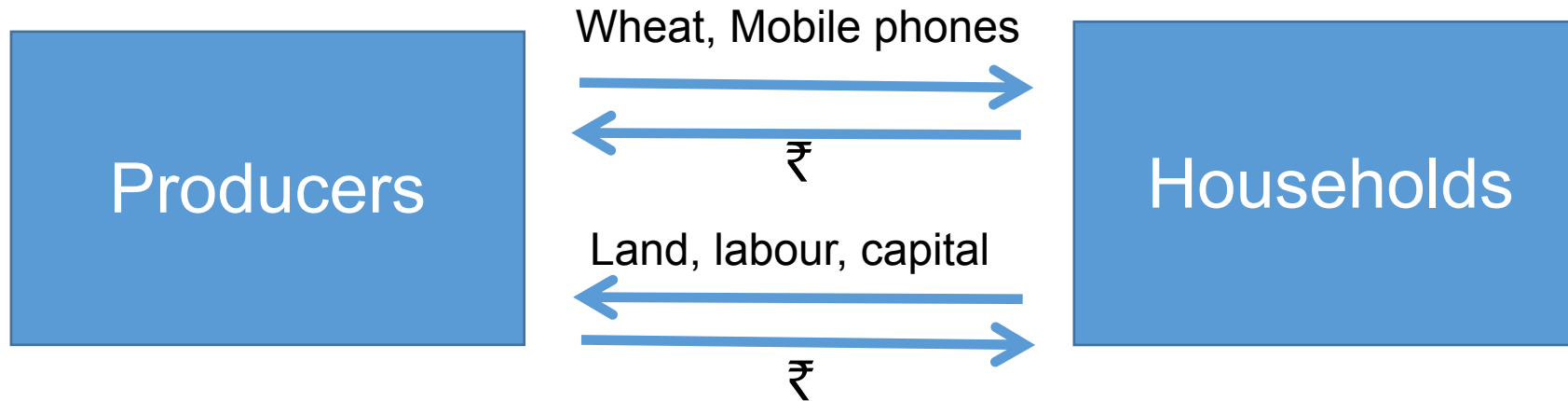
Producers and Consumers



Producers and Consumers



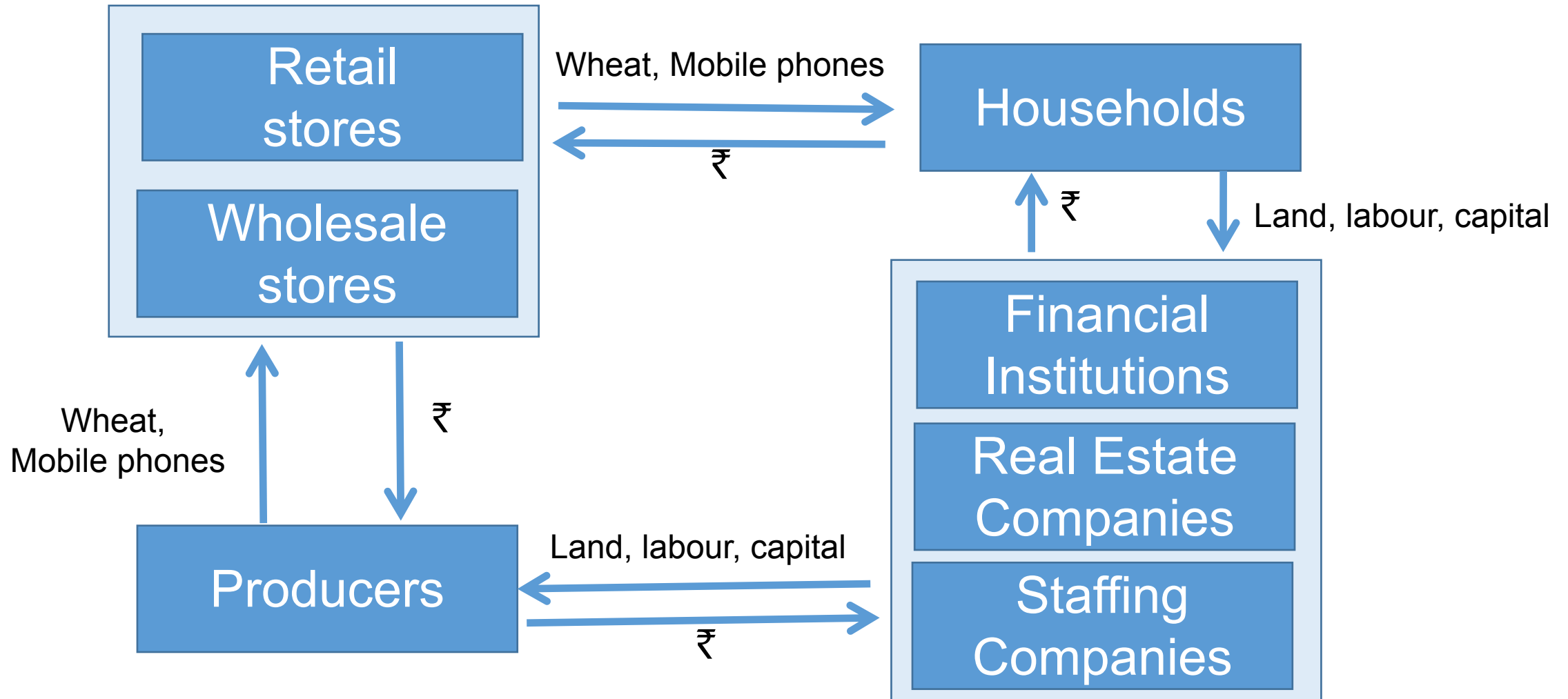
Household consumption



Wheat is used to make food for all the people in the house

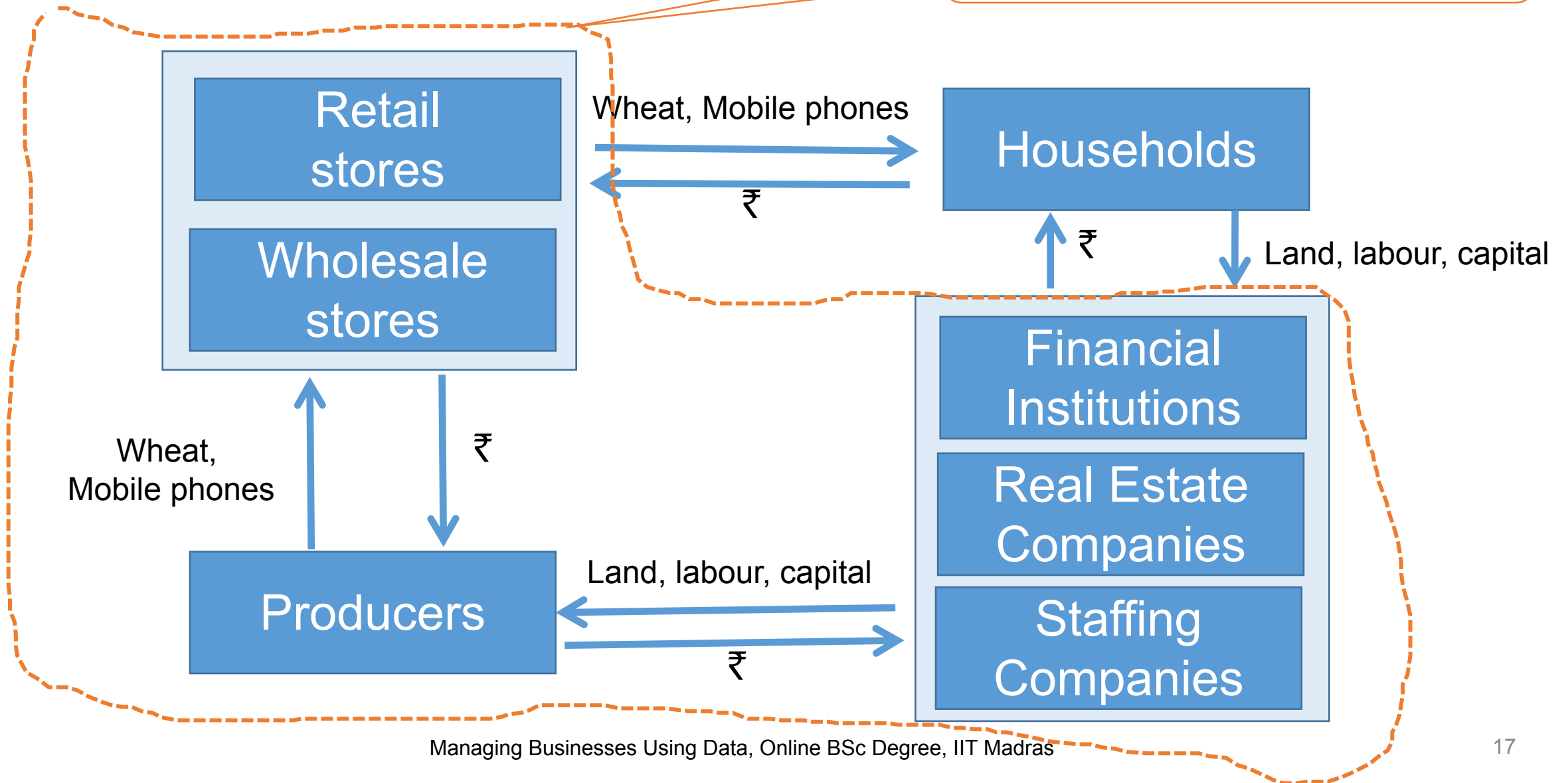
Many items that we consume are for all the people in our house, not only for ourselves

Need for intermediaries



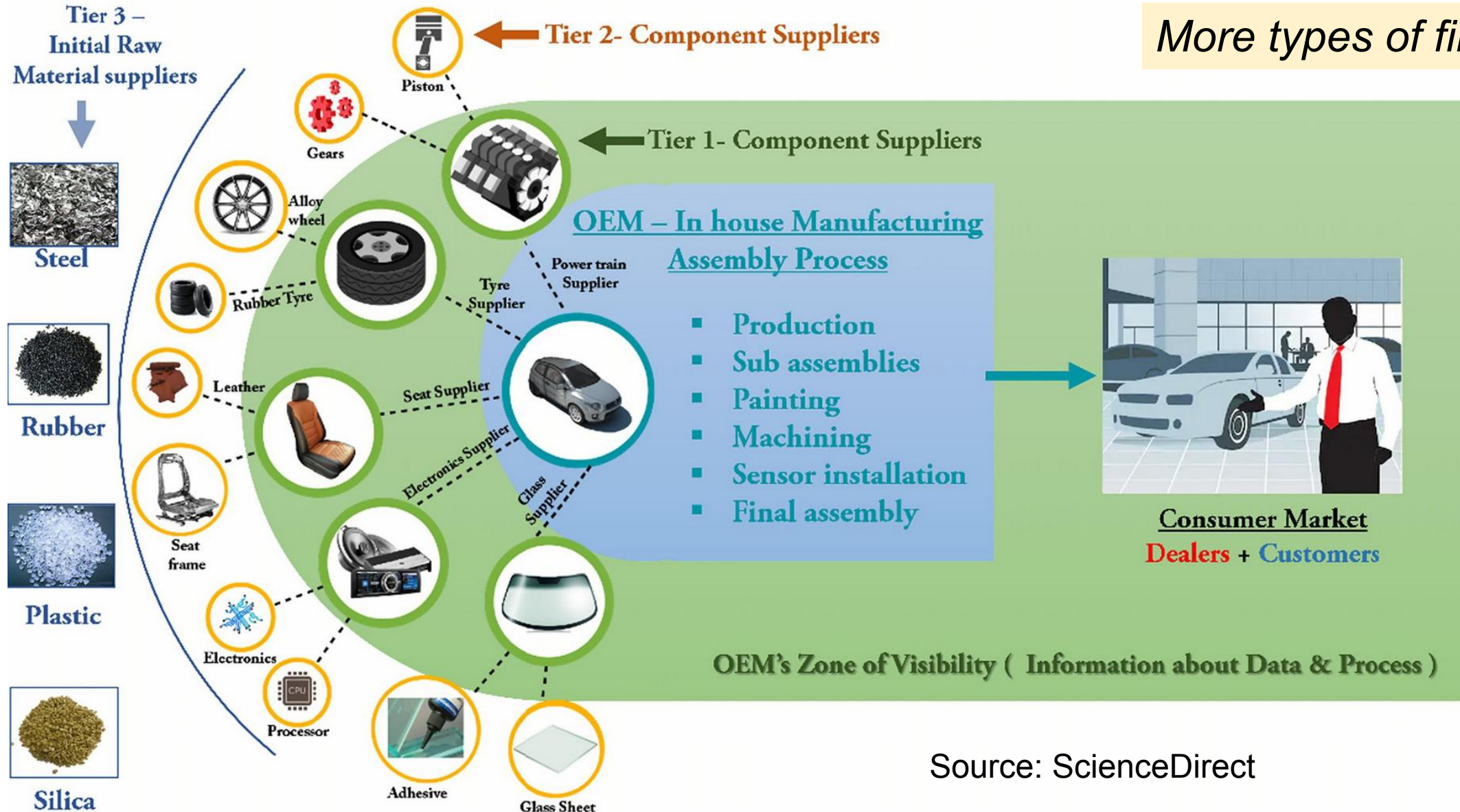
Need for intermediaries

All these entities are called firms



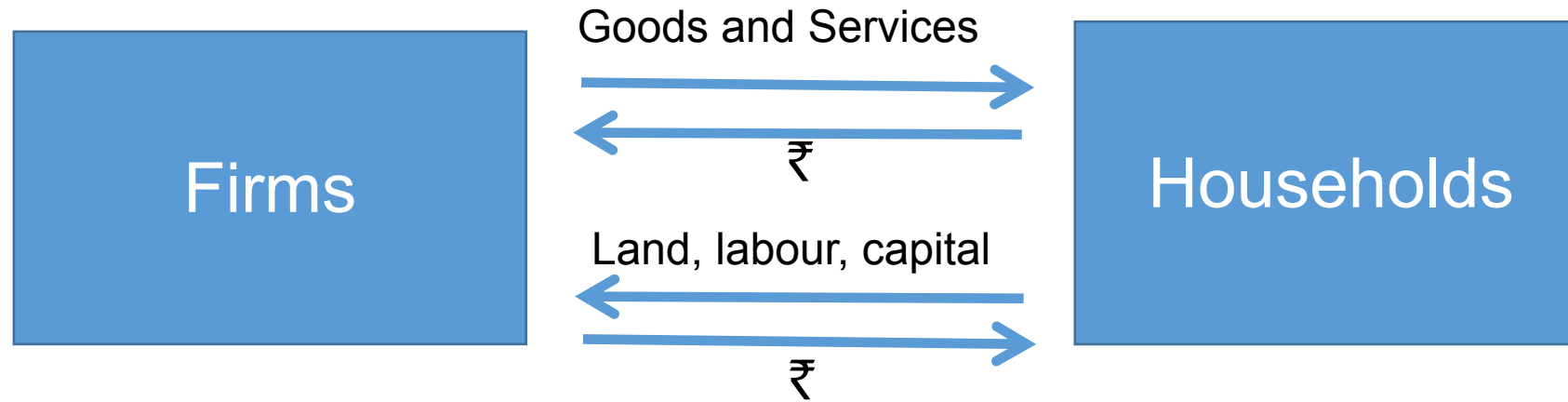
Production value chain - e.g. cars

More types of firms

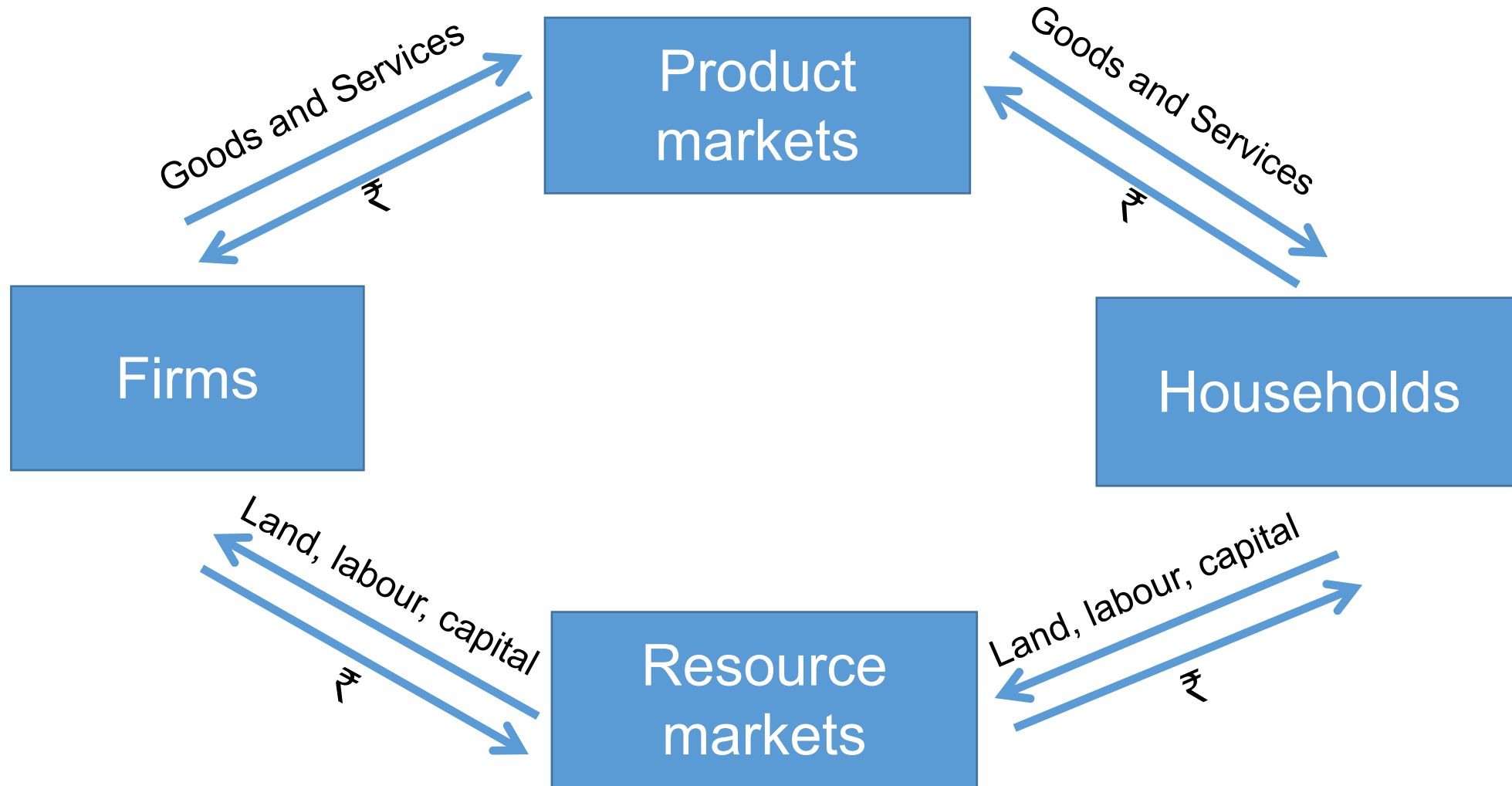


Source: ScienceDirect

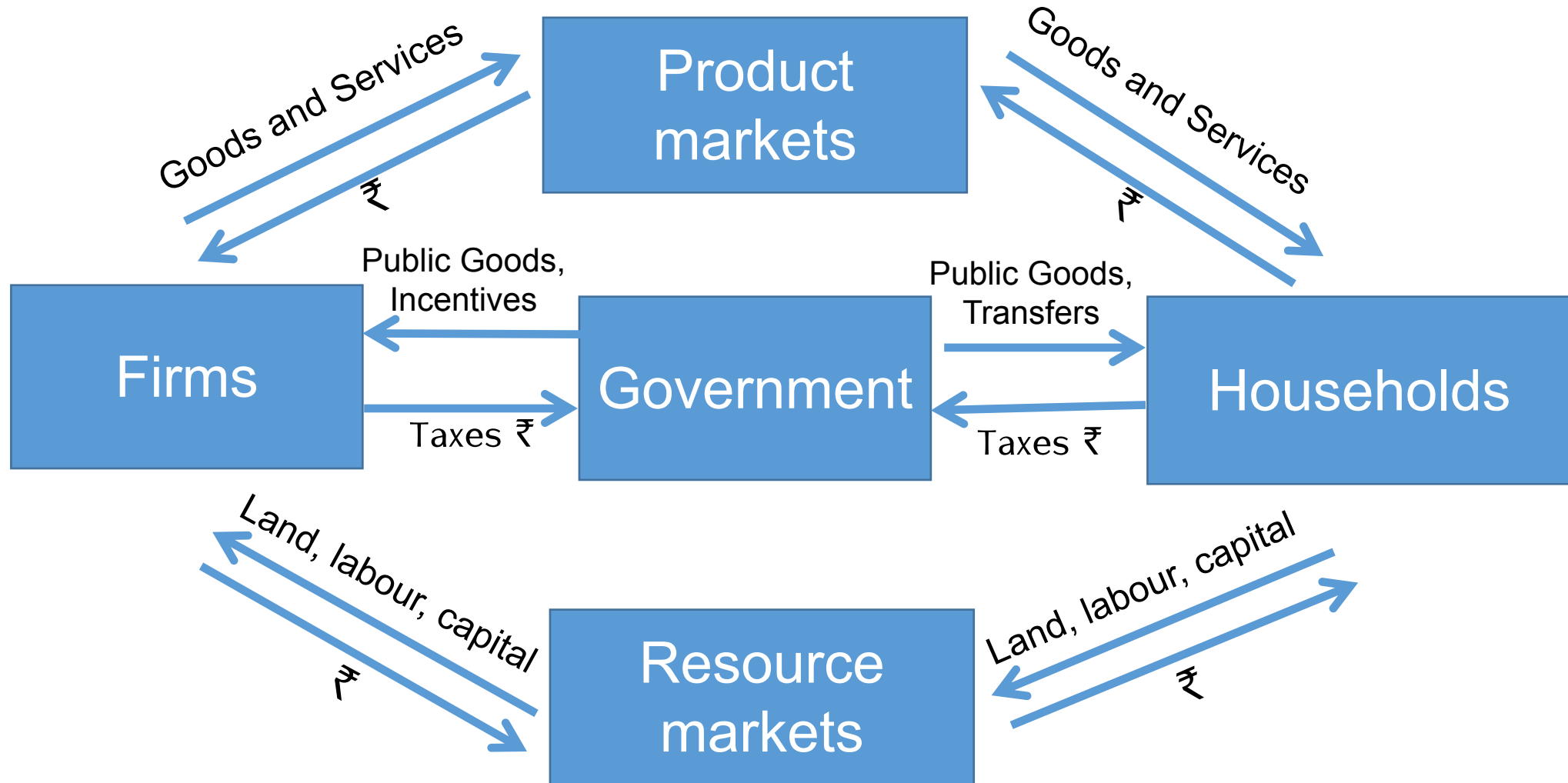
Circular flow model



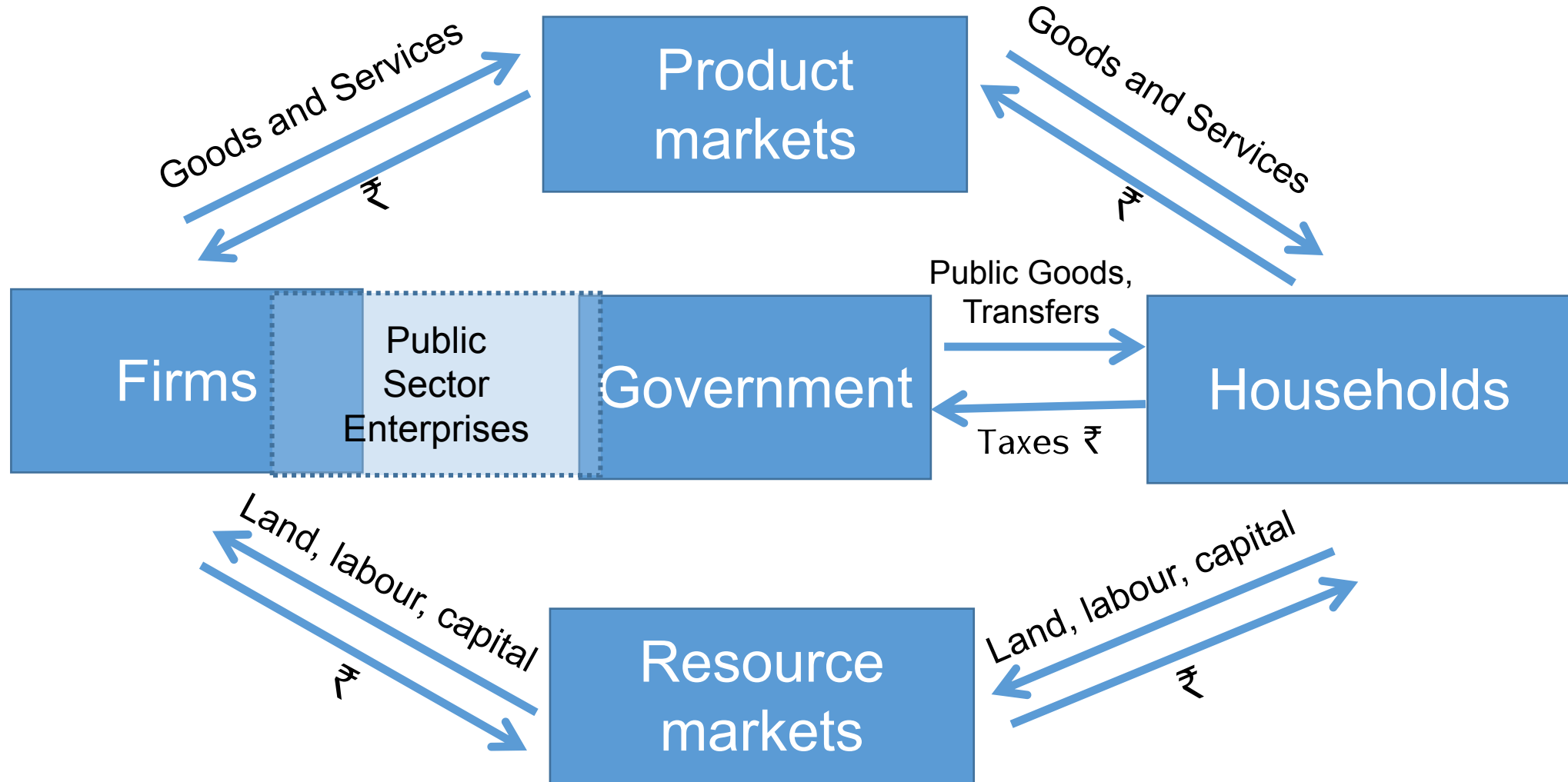
Circular flow model



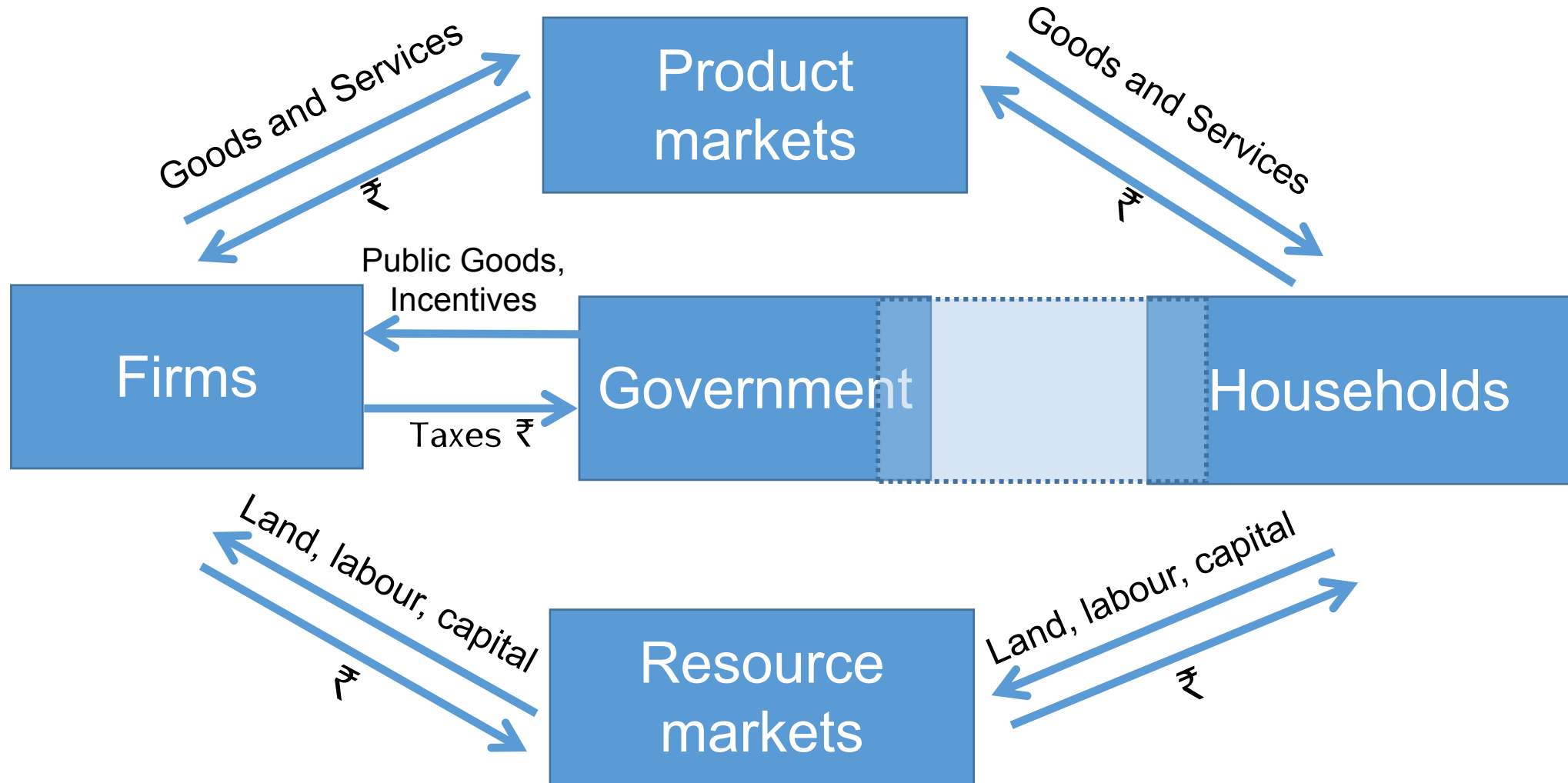
Role of the government



Government as a producer/firm



Government as a consumer



End of Intro