Economics

Lecture-1 → Definition

Ha-Joon Chang - Chapter 1, 2, & 4.

Lecture-2 → macroelectronics, GDP, growthrate, employmen

try to give economic terms

"Intro to economics"

Lec-3 : → major questions faced by Indian economy.

"what is economics":

you are studying → so you know about stockma → one vie

Jo market every year tells economic functionality.

1st well accepted defination: - Lionel Robbins

science studies human behaviour as relation b/w ends & scarce means which have alternative uses.

→ economy is different kind of science

science as subject/domain of knowledge.

How human being make choices with different cho by sta

example

An Individual making a choice to by different accomadaties by their income.

what factors effect the choice!

12:19-

2nd view → Gary Becker makes simpler.

3rd view
steven Levitt → freakanomics → 1st book of his
→ popular writing on what economist do.

Economic is a root study of incentives.

& meaning:
ultimately comes to economic behaviors people make choices based on kind of relative incitives they have.
every thing depends on incentives

Ha Joon Chang: → 4th view
simply some thing called everyone has their own sensen anything that studies which looks a/unsly
any part of economy is economic
Any thing which understands part of economy → economic
It study of economy.
economy is sort of subset of world where diff are getting produced (goods / service).
economics study of any / whole of process
Sir is more convinced on this def'n than other.

→ Sir understand economics & social science as one.

→ Give an example of economic process which fit to 4th view not remaining.

steel being processed in factory "How much steel??"
If I'm just How labour involved in process
What kind of supervillence. its difficult study of labour process in pt 3

→ Totalogical → ??

→ economics is what economist do

→ where does economic domain end ??

→ example - 5/10

① In recent survey of India avg daily Househo work hours approx number

women - 4½ Hr
men - <30min

• The Huge difference 4½ hr is underestimate u any work in household

It seems like a social issue like any other soci

women takes care of household work If women goe to work also she need to work in house

Gap b/w wages in men & women for same work.

Hero & Heroine remuneration in Bollywood wor are paying less.

economic implication.

→ 2nd ex

conc of lower caste workers,

Manual scavenging → only this caste do that w

→ even in India there are so many machines to do but no one cares. only that caste does.

→ why this comes under economic problem:

In each of these cases these are not only e problem but also social/... problems.

ex:
civil wars
rouwanda → war.
western africa → have done many civil wars

These are done bcoz of

This break out in a country b/w Identity groups by ethnic group, religious racial or caste.

→ This is deeply a social how society divided b/w racial, religious & caste.

Immediat trigger of civil war it could be some stray violence. gender also gets involved. what is economic doing about it.

→ There is actually a big literature explaining civil war / violence by greeds vs demons factors this theoretical approach towards understanding violence / civilwar is focousing & telling us main structural violence erupts can be linked to either to greed [control over resource] or it could be with in the country with the help of foreign to capture natural resources certain groups have more power " but others have less " . greeviens.

97:00

In each of theses not all are economic problem they are social, political problems.

3rd example

continuing civil war west African countric.

"Rouhanda & DRC"

civil war breaking out all Roots of world

which brings out many in a country b/w identity groups ethnic. bg, caste bg, racial bg it is again deeply social issue how society is divided b/w religious, ethicity --- imm. trigger of. civil war

42:55

can be quite insignificant it could be some stray violence very often gender gets involved

what is economic about it.

48:00

Greeds vs Greevens.

Control over resources → same time foriegn
→ in the same country with foriegn.

Greevins → being leftout/ excluded "son who get out of fathers will" feeling of excluded.

Booty vs titsies

This is conflict why economic comes here.

This is an economic problem & solution also exists here.

4th ex

technology

→ your choices success depends on economic evaluation

→ economic Jobs are important for us.

→ economic related to technology through 250 years.

→ A lot of seeming non-economic phenomena have economic part. Domain of economic continuously ↑

→ Any problem around the world is economic.

→ we cant tell any thing only on basis of economic But most of the things have some part in economics.

→ In order to find ~~racist~~ discriminatist the economist they sent fake CD "Black names" are called less.

→ Fields of economics → schematics

"Microeconomic & Macroeconomics" so common

Econometrics
↓
Statistical methods of economics

* schools of economic thinking
↓
not common

Micro → Individual unit

Micro vs Macro

Micro:

economic theory constructed at level of individual agents

↓

higher use of calcus.

Macro:

Theory constructed at level of economy

It can be at level of IITT, Hyderabad, etc

Micro macro

Start with individual check group

another style

Start with group & end at individual

sum of individual is different from group

So sum(micro) ≠ macro

↓

"Inflation, PCI"

Lecture-2

→ macro is not aggregation of micro → This takes how other behaviour affects our behaviour.

→ a

→ simply adding micro + macro → we need to ~~ch~~ have ability.

to go to complex an known how interactions happen.

we are all part of same economy. So when we all decide of all different ways If we all se from macro is not same agregation

why macro If we have micro??

most are macro eco → Grow Inflation.

Schools of economic toughts:

→ In social science these differences are much sharper b/w diff schools.

→ Newer frame work replacing older frame work

→ There is simultaneous frame work existed but they are opposing each other in some parts.

→ replacement.

→ not every school of thought is interested in every part of economic

→ Classical economic thought:

Adam smiths → Father of modern economic book 1776.

Wealth of nations even today correctly/incorrectly credited smith

forces of Balanced ~~sup~~ b/w demand & supply.

"Invisible hand"

notable economist → David Ricardo
→ Thomas Malthus
→ Karl Marx.

"The Idea of invisible hand"

The market

individual agents decide to demand commodities by their own interes utility

" Produces " " produce in market by

" " self interest

market system has capacity balancing these forces demand & supply.

Doctrine of comparitive advantage

The Basic Idea of free trade is with each other Specialising producing thing on specialized ad comparative advantage comparative adva

India → cotton
China → Automobile

engage in free trade based on which country have best comparative advantage. two commodite world.

Even now much better Ideas

free trade is not good b for low economic country

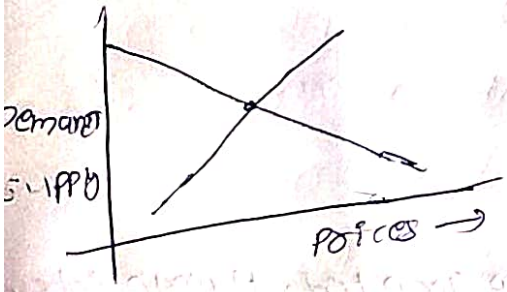
Colonial in teraction b/w britain & countries

The cost of producing something in terms of what you have to forgo.

you are working here means you cant work other.

comparative advantage:

when opp cost of '1' < opp cost of '2'



28:16

Deman → consumer of cars

supply → producers " "

If prices ↓ then profits ↓ so supply will be less

then Demand will be high once we put these two curves together we will find equilibrium Pr.

Producers want price high at this price supply

But they wont sell cars and they reduce price then we get equillibrium point. Same for lower price.

Invisible hand → market the market makes this point to equillibrium.

Invisible hand knowledge example.

what ever we supply it find its own demand.

we need to not think of demand If Produce something any product we will get demand.

If we are hiring and making Bread with workers then they will only buy bread and Pay wages to them.

supply
demand

Demand may not be taken for granted. Human labour we are having so much human ~~der~~ supply for labour But there is no demand ex: unemployment so there is opposition that ↑supply makes ↑demand.

The main analytical blocks of diff social classes:

→ capitalist and workers
→ landlords and peasents.
→ land lords — are organising agriculture using lab
→ If you are renting land to tenant then you are giving service.
→ otherwise you are agriculture Industrialis

classical → 18th cen

Neo classical - 19th cent & dominant - 20th cent

Alfred marsha — proffesor.

It is the still most dominant in economics.

The mostly neoclassical is thought.

Basic structure of Neoclassical:

There is overlap b/w micro & neo → almost same diff is seen as field

focous on methods / Indiv field vs approac

where neo is approach

analytical units → dynamics

focous is replaced by different classes, conflict that is replaced by focous on individual agents, consumer, customer. Goal, self optimizing.

classical economic → social classes.

Interest of working class is different from Hiring class. economy. Progress / changes.

consumer/worker → consumer.

enterpraurer → diff context producer.

maximising profit.

44:00

enterpreneur → consumer & producer.

classical: primary focous → process of production

neo classical focous → market exchange
process of exchange
social market

exchang implies exchange through market.

classical school → political economy → this

↓

at that time "economy" word is there " " this was there

neoclassial era came with word economy then onwards "economist"

moving from political sciences to a subject under

like Natural scien.

Physisct → 2nd mathe

econ → 2nd/3rd physist

↓

" " " "

trying to know abt universe

major contributor.

Marxian economics:

He is critique of economics. Marx not only economist he is in so many parts. He is very serious in economics.

Theory of capitalist dynamics.

His focous to analyse the economics find the basis of criticism in the object of criticism.

we dont have courage/energy understand it.

very dynamic of evolution ← mid of 1800s - 1880s how technology works

TWO powers

① Forces of prod'n → Input/ways through which Techonology, machine prod'n tech adapt of new technology, labor

② relation " " → How are these forces connected to each other + property rights.

Non-labour means of prod'n. Feudal prod'n system seperation of two classes which give labour other works as labour. This is much critisized.

labour theory - All values produced without a machine value can be created but " " human mach cant " "

people marxian eco failed bcoz soviet unio failed but its not meaningful.

marxian eco for capitalism but soviet union dont want to be capitalist

He was most following capitalism but applied to soviet union.

labour theory of value:

source of value extent of labour value.

~~Nen~~ ultimately machine you using value leads back to labour. trace back.

source of economic values

non labour i/p created by labour i/p.

soviet union wanted to be non-capitalist union

entire driving force non-profit for individual

collective ownership

Lecture-3

• Marx like other economisist looked in terms of grp of people with diff economic interest

Ricardo/Malfes 3 classes Building Blocks/Analytical Building Blocks.

The idea of class of definite economic interest is a imp. BB from Marx.

Major classes not diff from before classical economist

capitalist and workers/working class

Y.D.Y → owners of means of prod'n. → people who didn't own any means of prod'n.

means of prod'n is a key to define capitalist/workers

↓

any piece of machinery through which produce economic value.

labour cant produce value in its own it need some mean of prod'n.

Agriculture → land is mean of prod'n.

They have understanding of capitalist, landlord & workers.

He invented many classes others were more descriptive. others have a classes like new capitalist...

Marx a simple & total analytical description b/w capitals & working → who sell their work

He saw land lords & capitalist in a similar way.

↓ have land ↓ have factory/machine.

11:50

[4, 8, 6]

(4)

(1, 3) (5 1)

(9) 6 (8)

[(1) | (8) | 9 7 (3)]

(9)

9 17 16 10 (13) +4

(9) 10 16 (17)

(=9)

1 8 | 9 | 7 3

17+16+10+

1+8+9+9+7+3

Lack of ownership divides two classes.

Small machinery owning also a capitalist.

"labour theory of value" → All source of labour is value
But labour need means of Prod

Any natural resource

distinction b/w Produced m.o.p vs natural m.o.p
↓ ↓
most other ~~natural~~ resources are "land"

machine → has labour
iron & steel also have labour

land is used through labour for its useful things.

Keynesian Economics:

1880's – 1946' → time line ac (1910 – 1940's) → Powerful at this timeline
1870's

"prof at cambridge"

"General theory" → book → His experienc & analysis of great depression. (1920's)

Banking system started failing → "1st major crisis in the world"

capitalism came in late 1800's

Key issue focused on huge unemployment created due to Great depression.

N.A & western europe
↓
northamerica

Key point → keynsian economic foundation of macroecono

micro →	neoclassical
macro →	keynsian (almost)

main points:

Two major insights role of uncertinity determining investments. In capitalism volume of investment plays imp role.

what inv. levels in 2-3 years. inv. is a function of profit in future.

It is difficult to predict the profits with present variable is tough.

Diff in this kind of predicting investement
↓
fundamental uncertinity.

investment get volatile with funda uncee is also linked 2nd key pass of demand ~~of~~ eff arising in society leading to unemployment.

why capitalist hire → want to produce

how much hire → demands

they hire on fut use demands.

fund uncertinity future inv depends of fut demand & employ creation.

100
30 → unemploy

Then system is not stable who sees these 30 people.

He has overseen G.D → great depre...

Typical cond'n of capitalism nothing in terms exist to go to equillibrium demand ≠ supply

no. o people who are wor demand of work ≠ de labour

of disequillibrium keysian is rejection from smith.

Ide of Govt boosting demand ~~the~~ of Public emp.

Keysian policy tried and largely successful.

→ American govt invested more on public employ.

→ In G D America gave employ and gave money so there is demand public spending like this they came out G.D

→ Govt is generating Demand.

→ keyns tell how to fix the crisis the way to out crisis. Boosting Demand through Govt funding. It actually worked.

→

→ labour market is an example

→ quantity of labour vs

"supply outscoipt demand"

supply > demand → disequillibrium

① wage union not makes to low wages

② Already wages are low If lower than this worker cant live

at these ② points Govt stucks and market may not solve disequillibrium and stucks → unemployment

Govt tries to keep in equillibrium.

Institutional economics:

→ deals with social norms/Institution to economics.

→ • 1880 – 1930's

veblen, commons → major

Approach to economy:

explained at social norms/inst.

Insti → IIT/Telangana govt/market/Private prop. Inst.

criticism came for neoclassical lack analytical trigger lack mathematics having more description.

Economic → is a science to see economy in mathematics

Post 1930's → this area is ~~research~~ research is more to keep maths.

Joseph Stiggles → nobels → 200's

Struct of neoclassical was modified to acc. for inst. to transaction.

Private prope right → key inst.

Some physical existing Inst (or) social norms

Inst A > Inst B → mathematical calc.

Capitalist Inst or socialist Inst. → Active line of research.

Behavioral econo :

~~Th~~ Takes human Behaviour.

How do " Behave in some constraints.

extension of neoclassical → here they thought human behaves selfish) rational

unquestioned assumption.

Behavioural eco → taking decision in realistic way

they want to model Behaviour.

Herbert Simon → best scholar psycology → economist

Bounded rationality → lesser order rational.

The Idea of human mind like computer they optimal point of consumption neoclassical thought of human behaviour. in this they think that at certain stages they act/take decisions differently.

Banarjee → MIT Prof

Take a Bunch of Indiv suffering from some diseas like cancer randomly make groups

① group recieves treatment → new med

2nd group control group treated group randomly assign some treatment like 1st group remaining so ↳ new med not given.

me just treatment

Then check b/w treated & untreated group

we need to repeat the tests to check robustness.

~~Same ~~

Group of poor people randomly assign some sort of loans funded by Govt to start bussiness.

control group dont give loans.

The treated Group have some Behavorial change to keep the amount to keep better.

This kind of analysis is used to check Policy can be implemented/not.

what works v/s not work

Lecture-4

economic measure/variables used in economics.

GDP (Gross Domestic product) → most imp variable

Growth of GDP means economic Growth.

What is GDP

Growth rate → rate of GDP/PCI

GDP:

monitor value of all Goods & services in economy at a particular time.

Monitory value??

Real Lecture-1

Talking abt GDP

GDP as major economic variables that is analysed all time

GDP - moniatary value of all final Goods & services in an economy in a particular period of time

If we add up all Good & service we will end up by mutiple counting

example

suppos wheat worth - 200 ₹ produced by farmer.

produced flour - 300 RS intern produce worth 400 RS

wheat → flour → Bread

monitary value of all Goods & services

GDP = 200 + 300 + 400 = 900

But this will imply double counting

200 wheat Goes to making of flour - 300

and to bread - 400

2-methods

1-method (final Goods)

look at final Goods only are those Goods services

as well Goods are not used for prod'n of other

goods among final Goods these are intermediate

Goods which doesn't fulfil these clause

are also not final Goods

only option

identify which comodite is final Good & add all

final Goods

bread → can also prepare as sandwich

we can make ~~bread~~ sandwich at our home

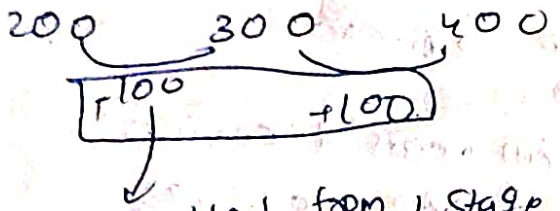
bread → sandwich, Burger } → sold

so part of bread is final & half is made something else

one option — to add all final goods.

2nd option

to add up value added in each



value added from 1 stage to next stage.

Prod'n of wheat → 1st stage of prod'n.

Start with a value added = 200

Value added = 200 + 100 + 100 = 400

But 400 is overcounting estimation.

It final goods

That is the answer of 2 options to calc GDP

3rd option

GDP ⇒ Add all the

labour wages people land → rent rent out machinery

interest - credit receipt. Banks keep interest

profit is used up for capitalist.

There are alternative ways to calculate

1 way is add up all monitary value of all goods

(or) value added at every stage of prod'n.

add up income recived by prod'n / input

to prod'n are involved in prod'n process

which method you do it gives same number in theory but practical changes.

But in reality diff will be 0.2% - 0.7%.

source of data is scarce

Iron & steel | Textile.

problems in official GDP we will see.

In formal economy → dont have complete data

lot of stats go on formal economy.

GDP → per capita | per unit person commonly used measure of welfare. for one country

Growth rate | per capita idea are widely used as economy performance of country

High growth eco vs middle growth eco.

It sees as proxy of economy

level of GDP | GDP of per capita

↓

tells avg standard of living or avg welfare level of economy.

example:

Suppose for India 5000$ and for china 15000$ idea is avg Chinese = 3 x avg purpose of India.

avg → means is that completely ignoring distr assuming uniform dist. But its not

Dist underlying under india & china Dist is similar The extent of inequality of diff countries are diff. avg doesnt give any thing of dist.

It is partial dist.

But these avg are given immense importance.

India avg can go to 6000$ without having any welfare growth.

Median give better result But we need more info

avg can be easily calc $\boxed{\frac{GDP}{Total\ POP}}$

PCI → "per individual"

we can put only earning individual as unit.

How to compare GDP numbers in time & spaces

poorly of standard of living) economic performance.

it is imp to track over time/space,

temporal comparision:

problem

comparing GDP across time value of money)

price levels keep changing.

How much goods & services country produced as it progress over time

1990 & 2020

suppose country produces value of 100.

2 comodities ① Iron ② wheat → Agriculture
value value
Industrial

value of Iron 1990: 100M
" " wheat " : 50 M
" " Iron 2020: 400M
" " wheat " : 200M

The GDP as such will be 150 M in 1990
& 600M in 2020

in 30 yrs GDP goes to 4x we are not
able to say the prod'n has gone up to 4x.

Part of value change is price change

in 30yrs price will change.

It is possible to have change price levels.

has gone up more than rate of value of goods
500% change of GDP

actually producing less o/p in real time.

its an inflated number comes due to
price change.

GDP is supposed to measure of the production
cap (or) earning cap at rust of price change.

$\boxed{\text{prices go up means GDP goes up x}}$
But no need to be grow

income → goes to 3x
prices → goes to 5x

so my real cap ~~to~~ of ~~go~~ real income. is decreased meaningful GDP campared over time. that is where we get to idea of real GDP

"nominal GDP" → GDP number we get using prices in that time

real GDP → nominal GDP also called GDP using current prices. By some index of price change. also called simply as price index

In this case the.

example for real GDP calculations

Any real GDP should have two time parameters one is the ~~ex~~ year you want to calculate w.r.t Base year common sort of starting point calculate. GDP of diff. year by having a base year. That takes care of price change.

superscript → current year (2020) → real GDP

subscript → Base year (1980)

Theoretically any Base year can be change

That real GDP will be nominal GDP doesn't

$$\frac{\text{nominal GDP (2020)}}{\text{price index (at current year) (Base year)}}$$ ex: 1000 / 500 = 500

nominal GDP → prices at the current year

example

nominal GDP → 500M RS.

But I know price Index is a measure By what the prices changed from Base to current year

PI = 4 means avg price level ↑ 4x

$\boxed{\text{Real GDP RS} \rightarrow 125M}$

Similar (a) real GDP of 2025 and same 1980 as.

Base year

we should adjust them to some common Base area and then we need to find real GDP

It takes out effect of price change

it tells physical prod'n by removing price changes.

price index → avg price level diff weightage to diff item. price has seperate weight to netfix subscription & give avg PI.

The weitage of basic food Items of Africa diff from Denmark(rich) rich has low weightage

→ Comparing GDP of same country over time is above.

① temporal variation (above done)

↳ we want to remove inflation

Now for we ~~wa~~ eliminate over time

~~Spe~~ GDP across space / 2 countries:

GDP in A vs GDP in B

Internal valued by domestic currency &

convert to common currency.

India & USA

↓

convert RS → $ ~~by~~ internationaly GDP is report in $

$ — 82 RS

5000 RS → 62.5 $

Now well have GDP to $ and compare.

Another source of variation:

purchasing power.

In order to account for diff

Idea is simply the fact PP of $ is diff

equivalent amt of money in Rs

(1$) — 80 RS

which is higher 80 Rs higher

prices for similar things are cheaper in India

than USA.

person cleans ~~up~~ home is cheaper.

life will be cheaper.

A lot of NRI's want to come to India.

In India we will have a better life

with less salary.

comparing with american GDP

we need to check PP parity while converting

to $

In year 2020 'PPP' adjustment

formulaes

(convert Rs → $) × (PPP adjustment)

PPP adjusted > GDP India USD

PPP adjustment > 1

≈3.5 → India

Denmark → PPP < 1

converting to same currency → PPP adjustment factor

PPP adjustment factor is b/w 2 countries

It changes If we change countries it is

specific to two countries.

Few more things in GDP:

Limitations

GDP per capita → ignores distribution.

If GDP per capit ↑ 50%, it is not that in

India all have ↑ welfare

lower end dist doesnt enjoy.

Growth rates we calculate is not meaningful.

Avg height in class 163.1 cm. may not be one person exist with that height. median person exist

Avg → fictious measure

→ Not obvious

calculation of GDP is mostly related to Goods & services which are economically valuable

Most obvious → House hold work is not included

- House keeper when she paid → GDP helped

But when man married he wont pay so GDP "GDP" "same work doing"

economic content of work is happening But not valued.

Women & Sx men } → House hold work.

→ Informal / Illegal → not all captured

not captured properly

[a Bussiness not registered by Govt]

use of digital money tells but these are activities

selfemployed

→ Immense ~~wa~~ welfare/warfare & destriction.

Ukraine GDP has not fallen so much. It is stabled.

box of defence

spending more defence makes people protect.

you can ~~de~~ spend lot on destruction and add to

country GDP.

Fact that GDP doesnt take out in environment.

→ 200 MRS → Iron & steel

you have destroy Biodiversity/forest.

Nothing is immune

It would have been better If GDP dont count

for net addition to prod'n after deducting environ

ment harm

Green GDP/environmental GDP

↓

Then it will be very very low

How do you value a destruction to natural

system to calculate.

That is why put aside

It becom

→ Somebodies GDP Getting adding to coun tays GDP.

concept of employment & unemployment

Another key to macro economy health of country along to GDP

a handful of employment is Good to country which helps people to live happy for their survival.

These use labour power and earn money. acc to macro. giving

→ employmen is imp. is often tracked not to employment rate. But unemployment rate and what is happen to

UR ↑ then it is bad. bring down unemp

with in limits → not zero should
↓ 3-4% is acceptable.

% of working age adults but have no work.

Joy have working age adults in any country out of
'15-59 yrs'

these 'waa' people who want to work part of labour force & not in labour force
students.

differently abled people who choose not to work.

But people who are looking for work and in labour force

who work employed

who dont work, un employed.

% unemployment = no. of unemployed over total size of labour force

$$\frac{ue}{e+ue} \times 100$$

why do we assume 3-4% is normal?

why we are not going down to 0.2%.

some mismatch b/w demand & supply what we are offering & what we are getting.

another point is "transitory unemployment" which is basically PP b/w employment jobs.

economost?

we should not worry of unemployment It is a thing of ue lives a some thing like people waiting in airport

unemployment rate in G-D went up to 30% that is the peak in USA '1' in '3' looking for jobs couldn't find jobs. It doesn't care of quality of ue.

why ↑ ue rate leads to crisis:

so for this Govt shld do something.

our ue. last 40-50 yrs. below 10%.

→ In poorer count ue rate doesn't tell abt state of employment

→ In India If 95% are employment these are people who work like 500 Rs (or) 50Rs.

~~In India~~

ue rate better economic distress for rich countries

there you have safety for ue people.

In rich people not getting descent job then people remain unemployed Govt helps them.

"But in poor country to help their life they will do some work & tell employed"

ue → for last 30days did you work one day then you are employed.

Lecture-5

as ue rate is not ~~too~~ good to known about other indicators are used to known abt economics while checking of poor countries.

Inflation:

It means a phenomena of seeing the decrease in general price levels" → some sort of index or avg of all prices"

when there is sustained ↑ in ~~gen~~ avg price level then economy is going under crisis / Inflation.

→ It measured using price Index (PI) : with specific Base year

Standard defns

$$\boxed{\text{Inflation rate}_b^t = \frac{P_b^{t} - P_b^{t-1}}{P_b^{t-1}} \times 100}$$

(current year)

% change in General price levels.

$$\text{Inflation rate}_{1990}^{2024} = \frac{P_{1990}^{2024} - P_{1990}^{2023}}{P_{1990}^{2023}} \times 100$$

As Base year changes then there will be a small change in rate.

Avg PI → not have formulae.

Avg of all prices weighted avg of some imp Goods

It is defined as Index

$P_b^t = 100$ → base

If $P_b^t = 200$ then easy to interpised

Avg prices are change w.r.to Base year

146 → then t^{th} period 46% ↑ from b^{th} period.

→ Parameters are diff for diff countries is for a Good reason island country fiji vs. China

comodities which are imp

→ imp comodity basket may be diff from fiji & china.

→ wt may also differ b/w China & fiji

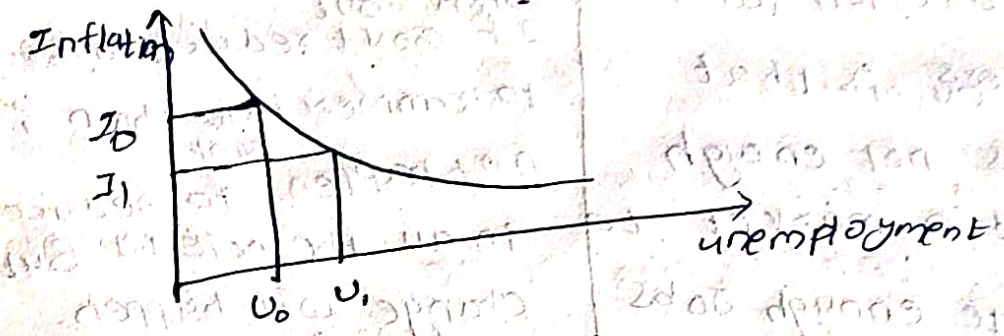
→ Fiji Petrol demand is less than in India so they will have diff weitage pattern.

next issue phillips curve:

empirical relation b/w two concepts / phenomen inflation & unemployment

This relation identified Philips 1950's new zealand.

empirical pattern for UK But it came to be for most countries in macro economics:



Trade off

To ↓ Inflation then unemployment ↑.

Both are Bad/undesired phenomena Govt want to reduce Both If u try to reduce ↑ then other ↑.

→ why would you expect this to happen??

1st data collected & then we will find reason

Both variables can effected by Govt policies.

→ Govt tries to reduce/increase the aggregate demand in economy. by changing interest rates also called Govt monitary policy.

→ wether you reduce or ↑ aggregate demand which side change depends on your goal

Case- I

ue ~~are~~ is very high

The deduction from Govt ~~pers~~ ~~ehu~~ is that there is not enough demand in market to Generate enough jobs.

If ue↑ aggregate demand is low

Change in interest in central Bank charges to commercial Bank then change down into all other interest rate.

~~when Govt~~ If Govt reduce o-sy. int to commercial bank than it may not happen to reduce osy. in all the society. But dis change will happen

If Govt ↓o-sy. it doesnt mean HDFC Home loan ↓osy.

Govt decides to reduce interest rate ⇒

investment will ↑ they expect bcoz cheaper ⇒

That will ↑ aggregate demand o/p GDP↑

lead to fall in unemployment

ue is high ⇒ Agg demand low ⇒ Govt ↓ int reate

⇒ Investment ↑ ⇒ Agg Demand ⇒ O/P (GDP↑) ⇒ ue↓

Another part is this leads to ↑ of demand beyond the capacity of economy to supply.

All machines are fully used up as of labour is not used as we ↑ demand beyond that pt there will be excess demand in system.

economy will not immediately change its supply / ↑ its supply that will lead to inflation.

see even that will ultimate push upward on demand bcoz

34:00

The main reason tradeoff holds is this is worked on rich countries they have full employment level marketing entire is getting used. → total capicity is getting used.

physical policy → create employment

Because the system is not able to change fastly.

As demand ↑ prices ↑

→ This entire booke down in 70s. which during the first oil crisis → philips curve not worth.

→ The economy is in recession as well as inflation is high. yet inflation ↑ which brings down philips curve tradeoff.

Now as philips curve Booke now we have expectations of philips curve.

Fisical deficit

like any other Budget also has income and an expenditure side broadly

fisical deficit is a measure of excess Govt spending over income

it is measured as % of GDP

To Govt should try to keep deficity to a certain threshould of GDP not to go beyond that.

linke any other Budget, reciept/income & expenditure side

major source of Income for Govt → taxes

Non-tax revenue

→ If Govt has share in Coporates they will pay yeu dividends the Govt as part owner get some money.

Interest recieved on loans given

central Govt ⟶ State Govt

Interest.

If certain country rating of Imf not good they need to private market

In most countries central govt is incharge of collecting & levying taxes

fisical deficit should have both reciepts & expenditure in current as well as revenue.

deficit is
revenue deficit vs Budget deficit → minute diff.

Govt should not functin as family or Individual

we will say like manage ur spending & earning.

dominant neoclassical

growing deficit leads to inflation.

The keynsian poisition If Govt spending

block of 1 which govt is running

this deficit used for investment & job creation which lead to ↑ GDP & ↑ taxes.

you are actually running deficit my family

to educate my son.

This is worth it as economically we are adding skills & he will earn in future.

If u r running a deficit to finance for investment you might get a return in future period.

neoclassical is tells no any kind of deficit should be removed/avioded.

what do you call freebies ?

Road → Investments.

For some Investment there is no future like freebees.

current & capital accounts.

The main diff current acc: spending expenditure the transaction is limited to current year.

So govt & govt paid entire in year.

Govt taken loan for you → pays through 10 years

~~you → govt~~

So this is not entirely current

some transaction taking today & remaining next 10 years.

Structural transformation

~~diff~~

→ process where sustained econo growth in an economy in any country is seen to or is typically expected to accompained by these associated process

The first is declining share of agriculture in GDP and employment this is main characteristics of structural transformation.

people from rural → to urban

decline in agriculture

demographic transition from high birth & death rates to low birth & death rates.

primary → agriculture

secondary → Industry

teritiary → services.