



PRESIDENCY COLLEGE
(Autonomous)



*Reaccredited by
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Microeconomics

Origin of Economic Thought



Presidency
Group

OVER
40
YEARS
OF ACADEMIC
WISDOM

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AFFILIATED TO BENGALURU CITY UNIVERSITY, APPROVED BY AICTE, DELHI & RECOGNISED BY THE GOVT. OF KARNATAKA

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Why study Economics?

An Economy is one which,

- provides people,
- Means to work
- helps earn a living

An Economic System?

Production, Consumption, and Investment
(Capital formation)



The Basic Problem

- Scarcity

are all resources scarce?

- Unlimited human wants

need vs wants?

- Alternate uses

Multiple use of resources



Scarcity and choice go together?

How to make the best use of available choice?

Water is useful, yet cheap. Diamond is not much in use, still expensive, cite a reason.

Abundance of water & scarcity of diamond



Positive Vs Normative Economics

Positive: Study of facts, verified and can be proved.

*India is the most populated country in the world. Vs
China is the most populated country in the world.*

True/False?

Normative: What ought to be? How an economic problem can be solved.

India should not be overpopulated or prices should not rise...



Attempt: Positive vs Normative

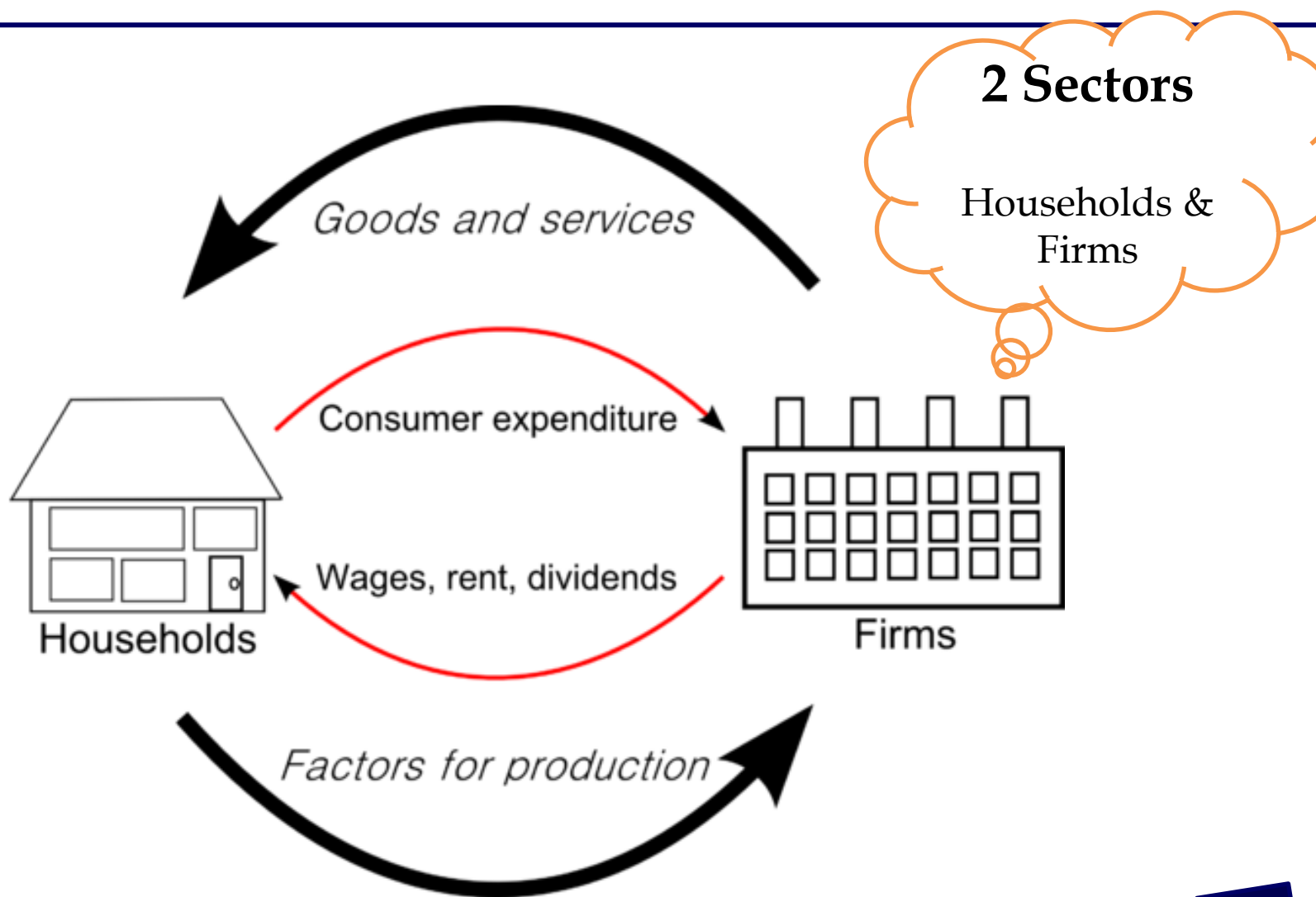
1. *India should take steps to control rising prices.*
2. *Prices in Indian Economy are constantly rising.*
3. *Income inequalities should be reduced.*
4. *There are inequalities of income in our economy.*

Positive economics does not mean statements of truth.

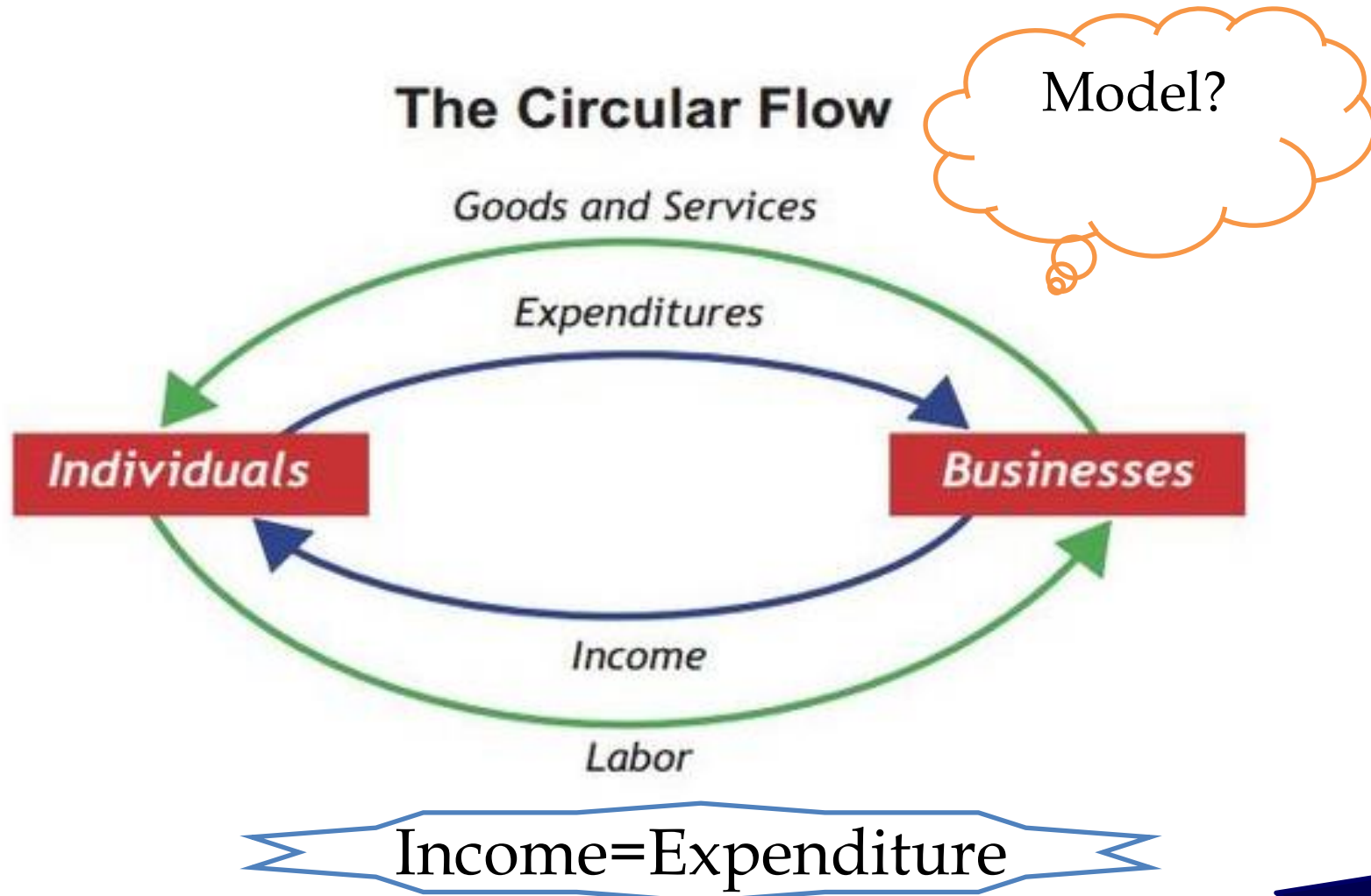
Data-verification of facts & comparison with actual data.



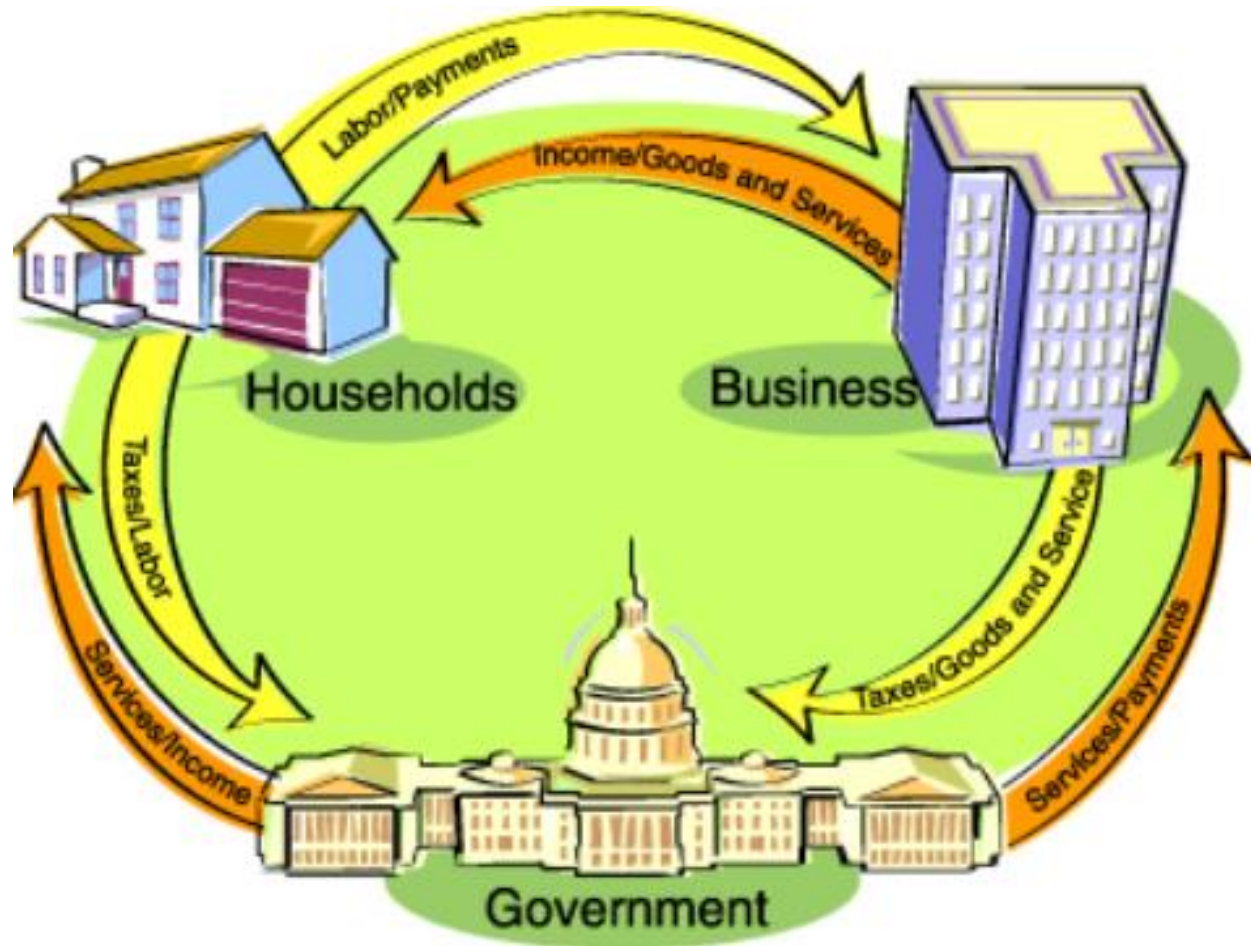
What is a Model?



Income & Expenditure



3 Sector model



5 Sector Model

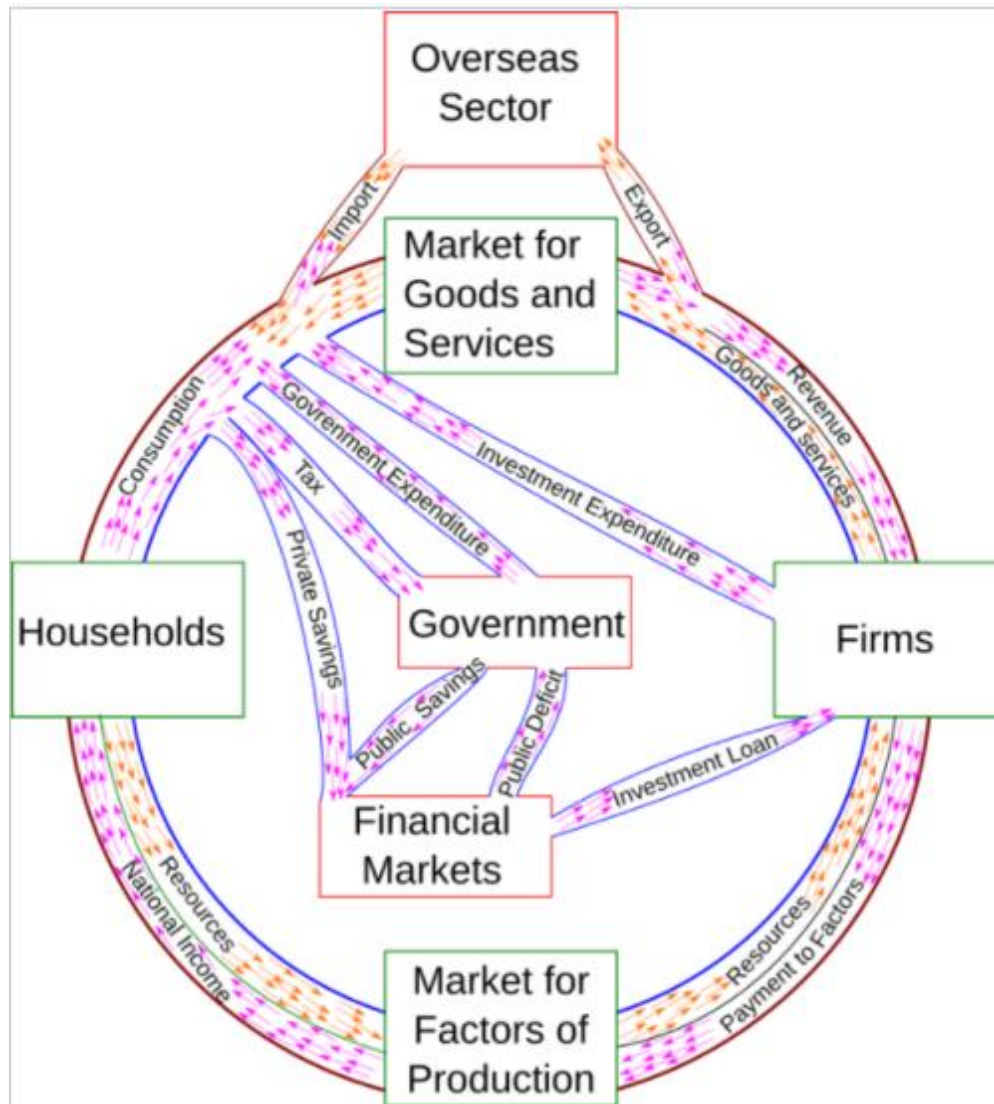
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Leakages & Injections in the System

Saving (S)

Investment (I)

Taxes (T)

Government Spending (G)

Imports (M)

Exports (X)



The Indian Economy



- Agriculture
- Manufacturing
- Services





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Data decode: Current contribution by various sectors.

Web source: Rbi website

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