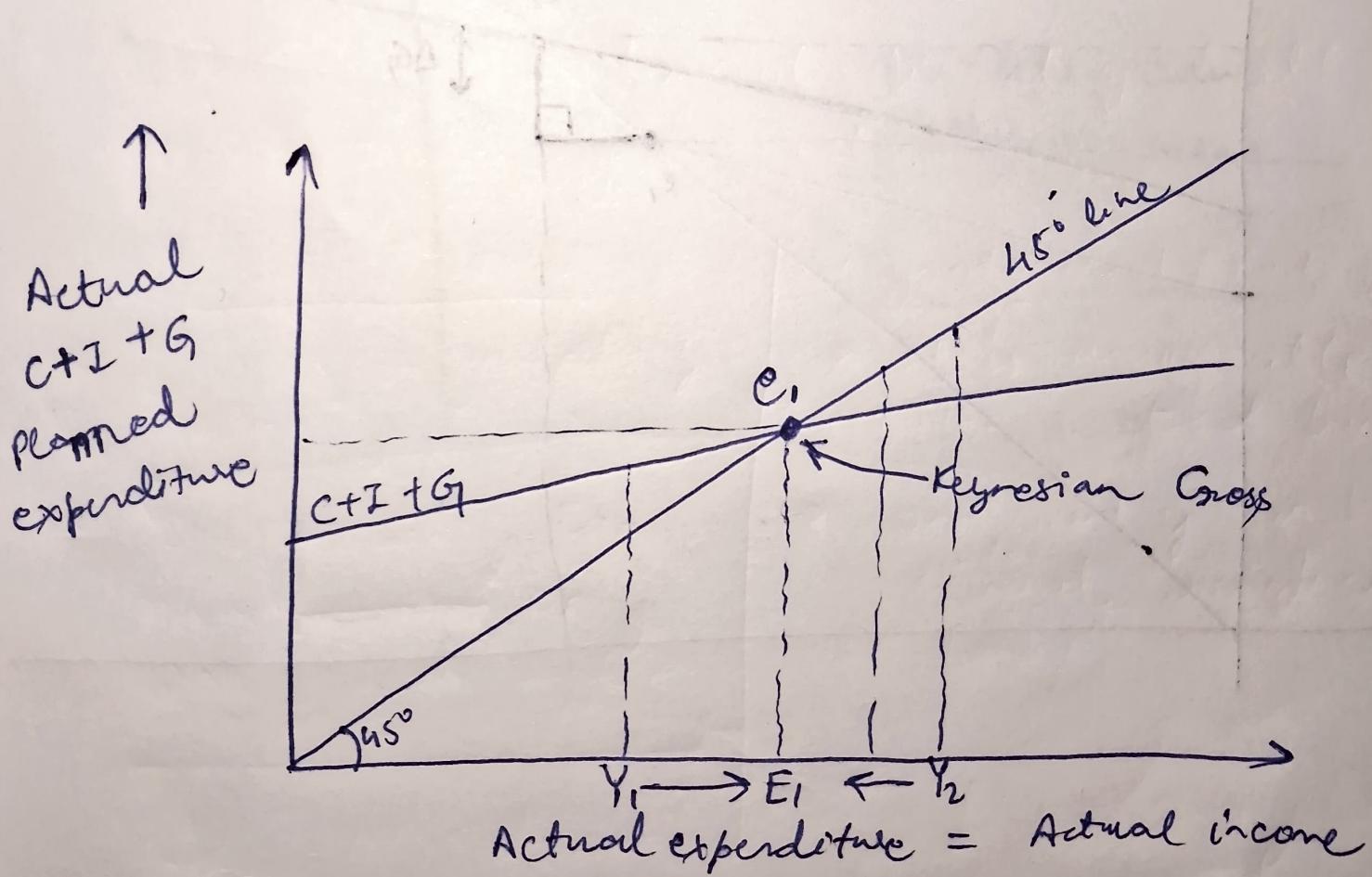
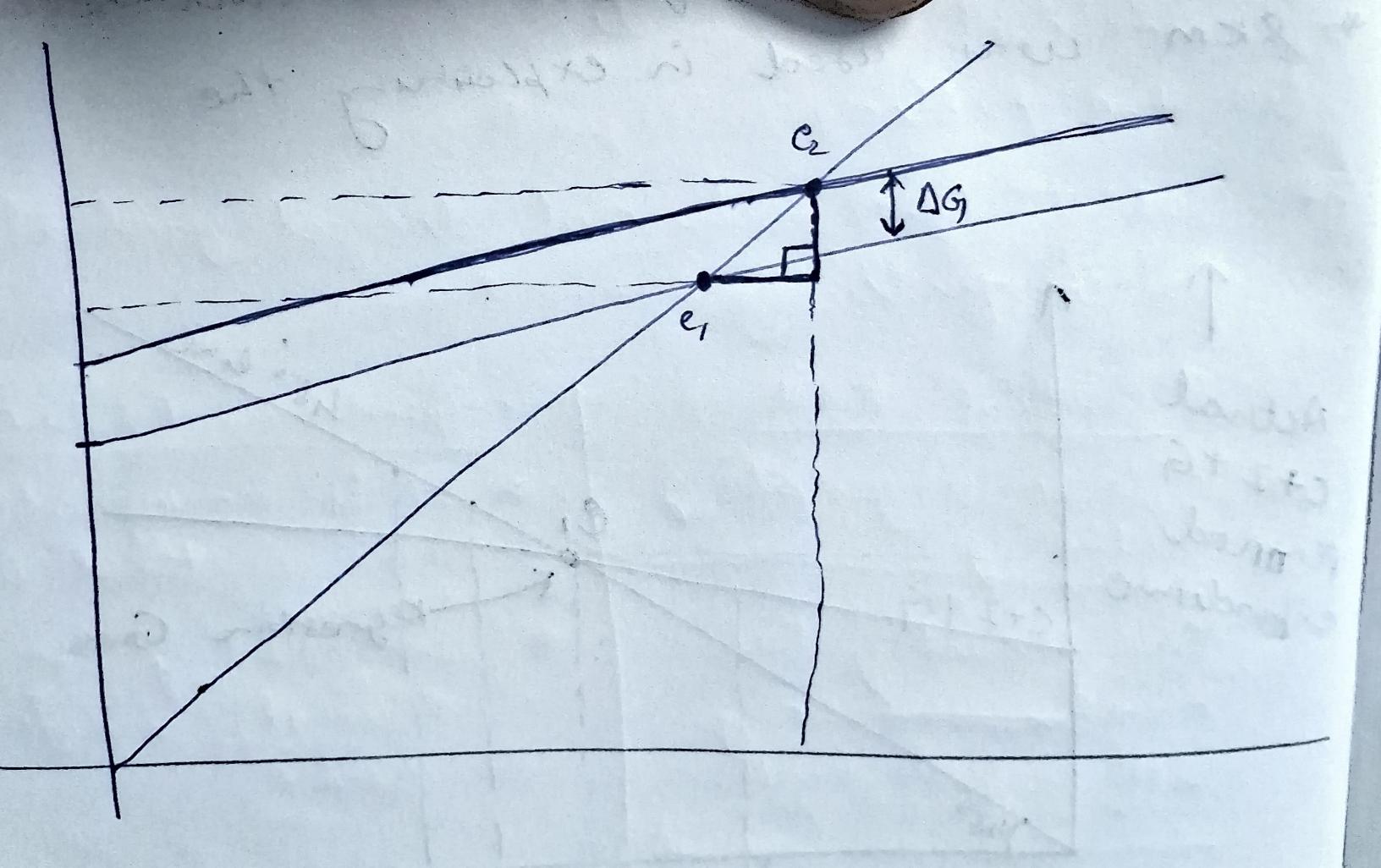
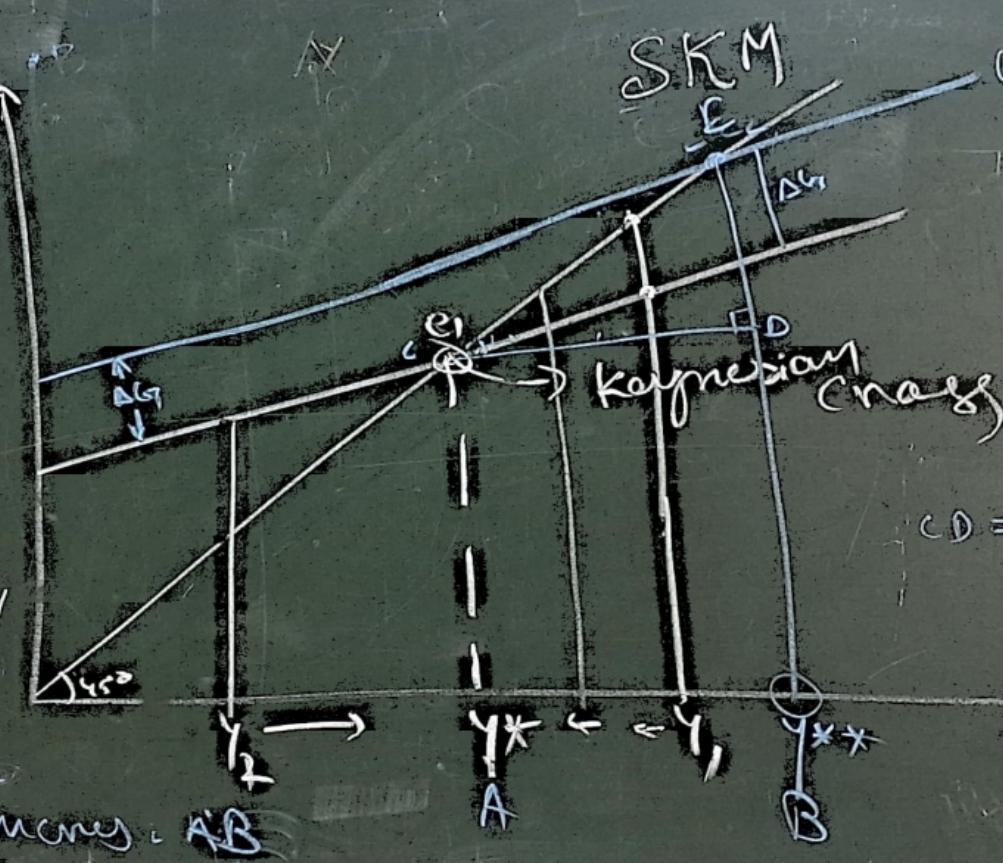


## SKM → Simple Keynesian Model

- \* SKM can be used to explain the reason for short run economic fluctuations in the economy
- \* Output and employment are inter-related
- \* SKM was used in explaining the







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$y \in C + \mathbb{E} + \mathcal{G}$

$$c = ab^b \quad | \quad c = 14 + 47$$

$$y(1-b) = a + \bar{1} + b$$

$$CD = DE \quad Y = \frac{a}{(1-b)} + \frac{2}{(1-b)} + \frac{5}{(1-b)}$$

$$\frac{dy}{db} = \frac{1}{(1-b)} \quad \begin{matrix} \text{Investment} \\ \text{Multipl.} \end{matrix}$$

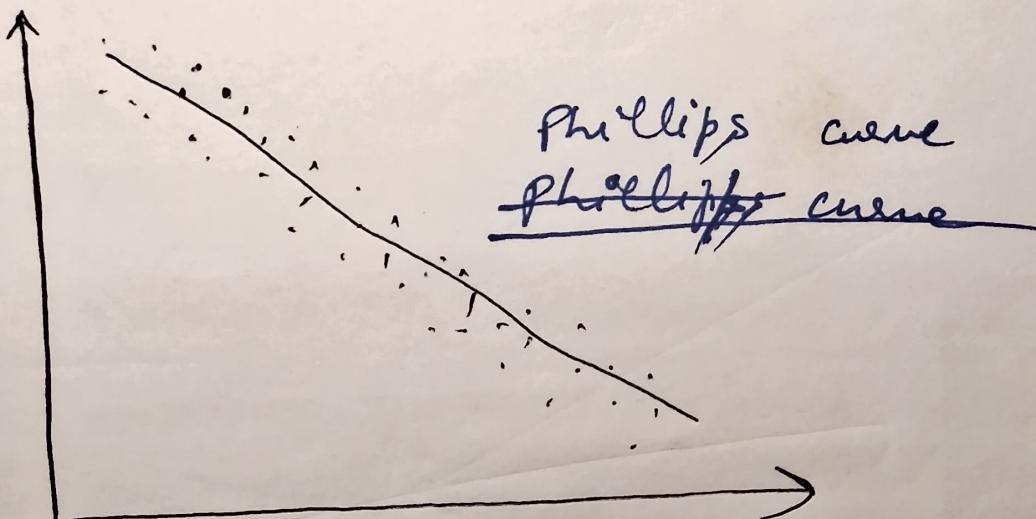
$$dY = \frac{1}{1-b} db \quad \text{govt.}$$

Vineet Sir

16<sup>th</sup> October 2023

Unemployment Rate =

$$\frac{\text{Total No. of unemployed}}{\text{Total No. of Labour force}}$$



Unmet Sir (31/10/23)

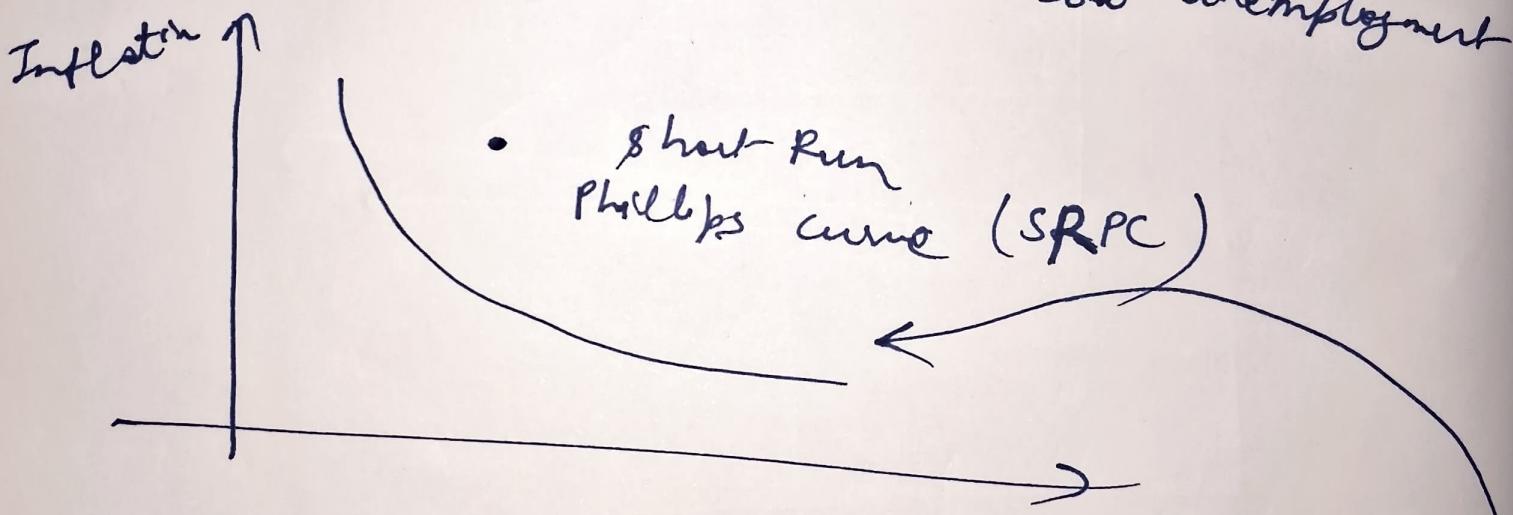
Demand

In last class we studied Unemployment & Inflation

The Govt has a Policy Tradeoff

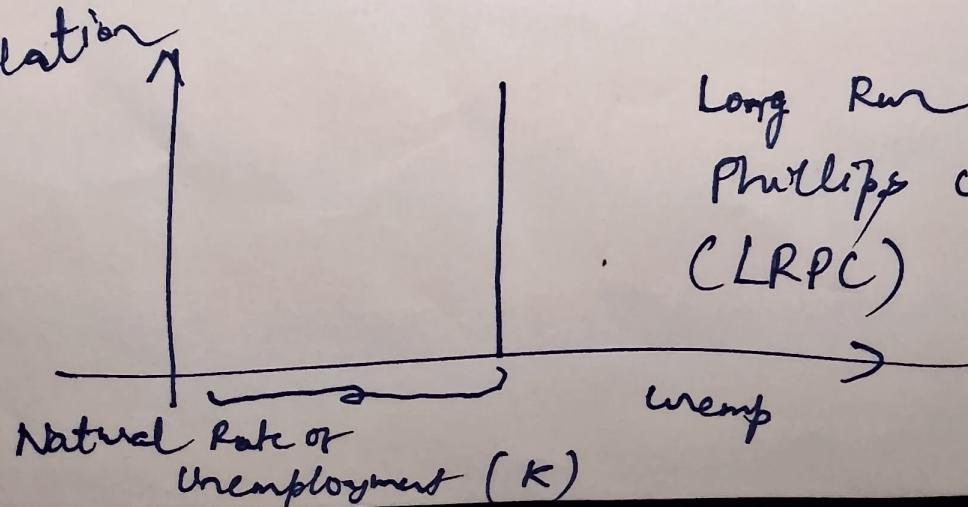
If it aims for low inflation  $\rightarrow$  High Unemployed

" " " " " High Inflation  $\rightarrow$  Low unemployment



Short Run at Phillips curve  $\xrightarrow{\text{unemp}} 2521 \text{ अप्रैल } 2021$

Long Run mean 2524 असता  $\xrightarrow{\text{unemp}}$



$K$  = structural level of unemployment in  
economics with

Infl ↑

marked toward

to prevent

some economies

have high unemp ↑ as well as

high inflation

between all nations so how? Fed not

Infl

defl

now not good & not bad

now good & unemp ↑

Ans

The Phillips Curve migrates with  
the rate change in level of  
price expectation of the consumers

Increase in expectation  $\rightarrow$  Increase in  
Inflation

# Microeconomics

## Theory of demand / Theory of Consumer Behaviour

How you behave as a consumer in the market

### Desire

- \* Something that you want

### Demand

- \* Something that you want and you can pay for it
- \* Desire + Resources to pay for it

Suppose market is a ~~market~~ good available in the ~~market~~ Market

$q_x \rightarrow$  Quantity of  $X$  demanded

$$q_x = f(P_x, M, P_y, \text{taste and preference})$$

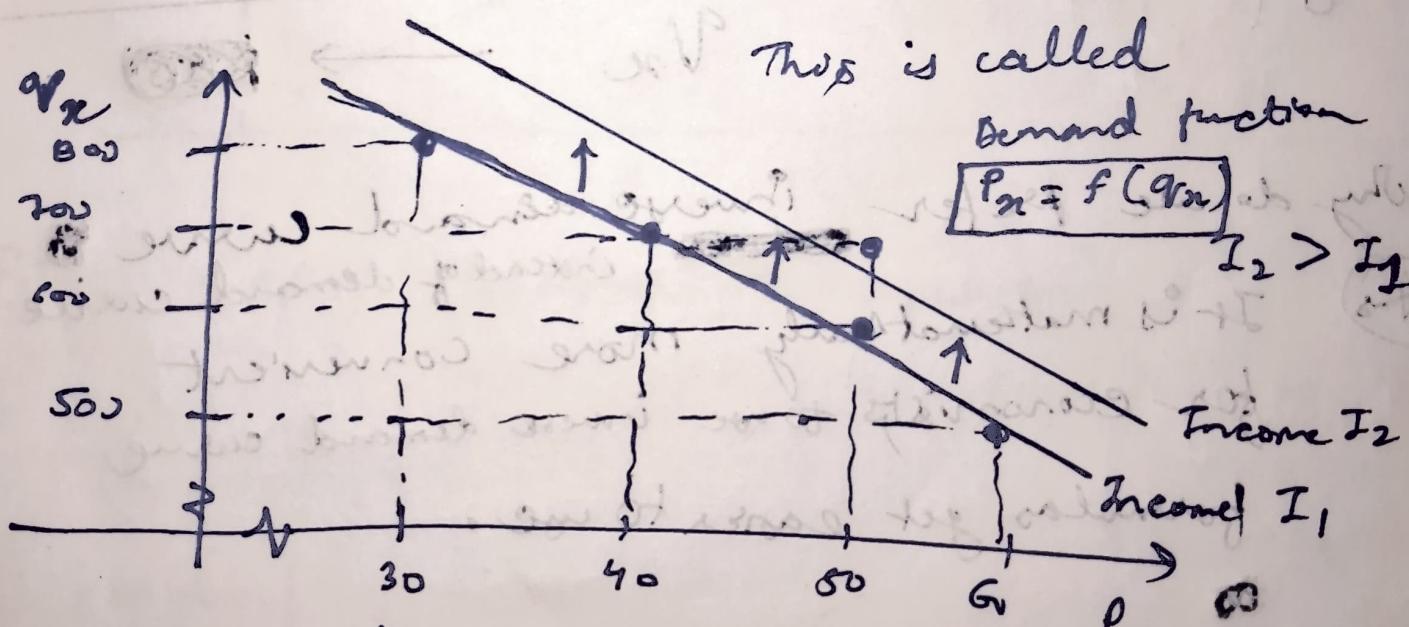
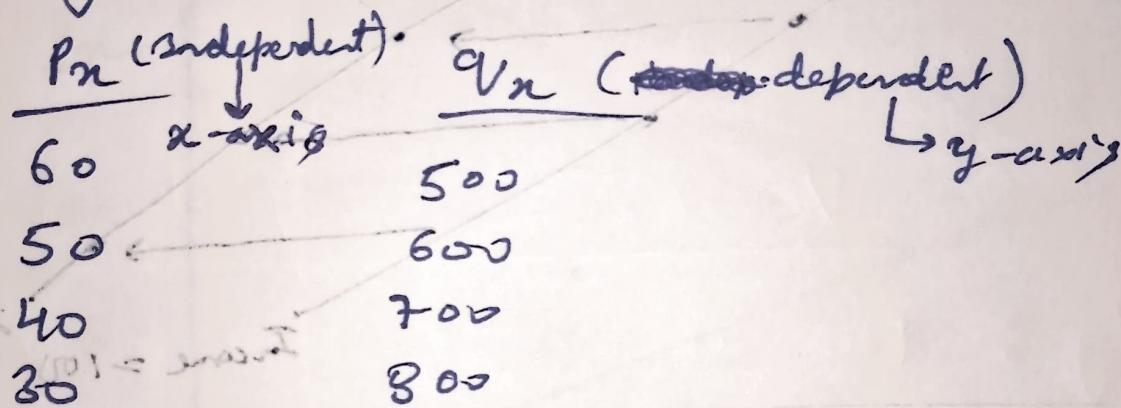
↑      ↑      ↑      ↗

Price of  $X$    Income of Consumer   Price of substitute goods      Preferences of consumer

Suppose : Suddenly if it's known that the good  $X$  is a life hazard  
 demand  $\downarrow$

### Relationship between $Q_X$ and $P_X$

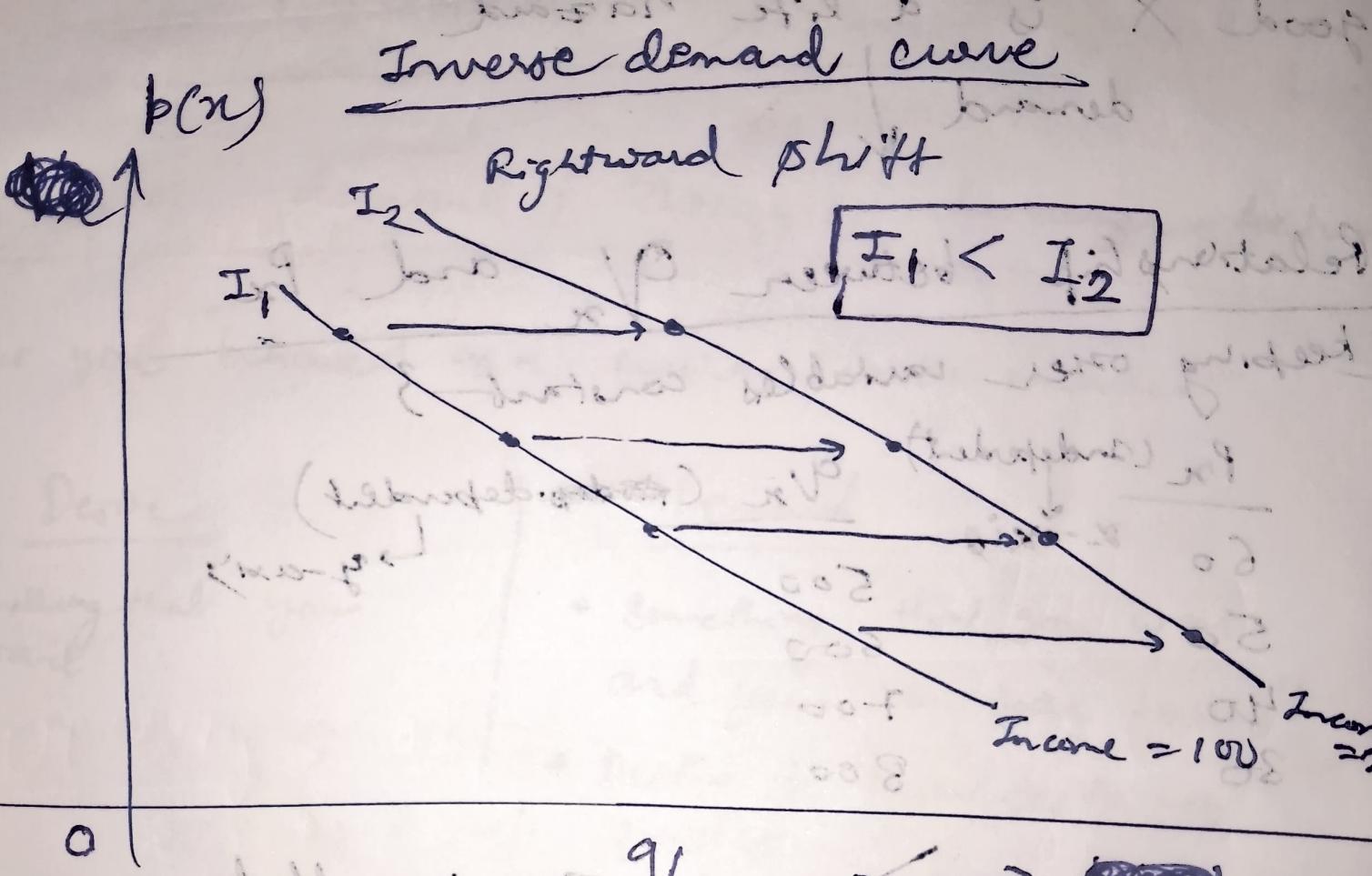
{keeping other variables constant}



But we draw "Inverse demand function"

$$Q_X = f(P_X)$$

Here we put  ~~$Q_X$~~  on x-axis  $P_X$  on y-axis



0

below is just  $q(x)$

above brand

Why do we prefer inverse demand curve instead of demand curve?

(Ans) It is mathematically more convenient for economists to use inverse demand curve formulas, get easier to use.

Remember

Demand curve

$q(x)$  on  $y$ -axis

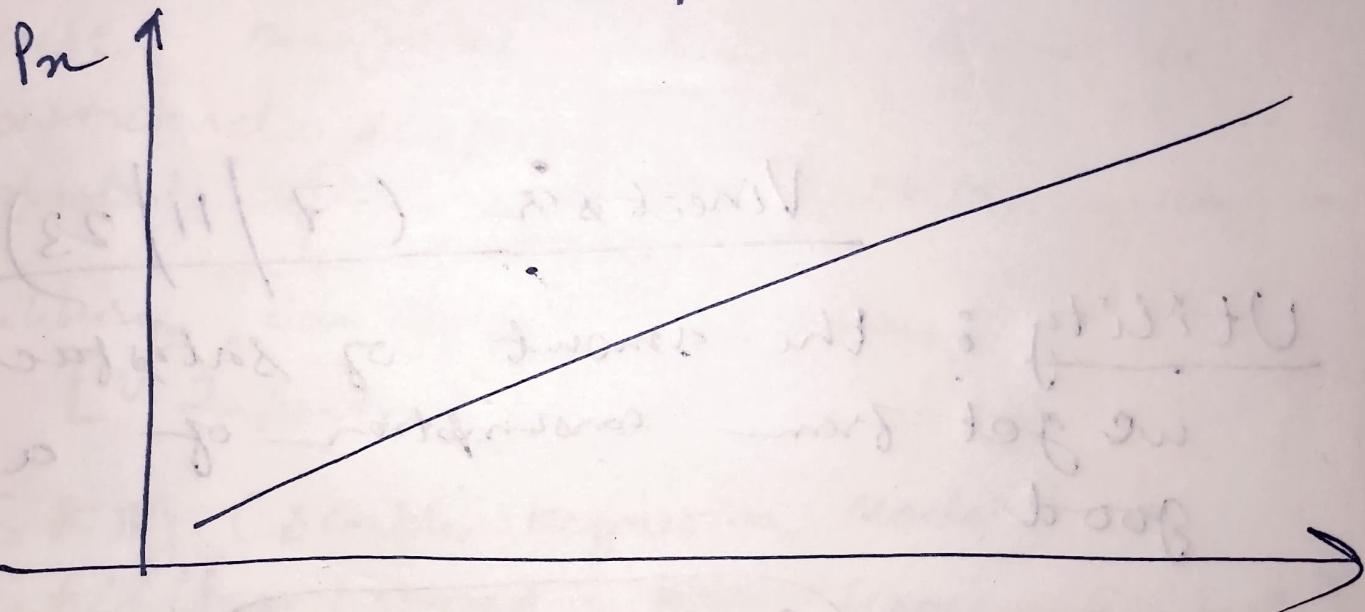
$p(x)$  on  $x$ -axis

Inverse demand curve  
 $p(x)$  on  $y$ -axis  
 $q(x)$  on  $x$ -axis

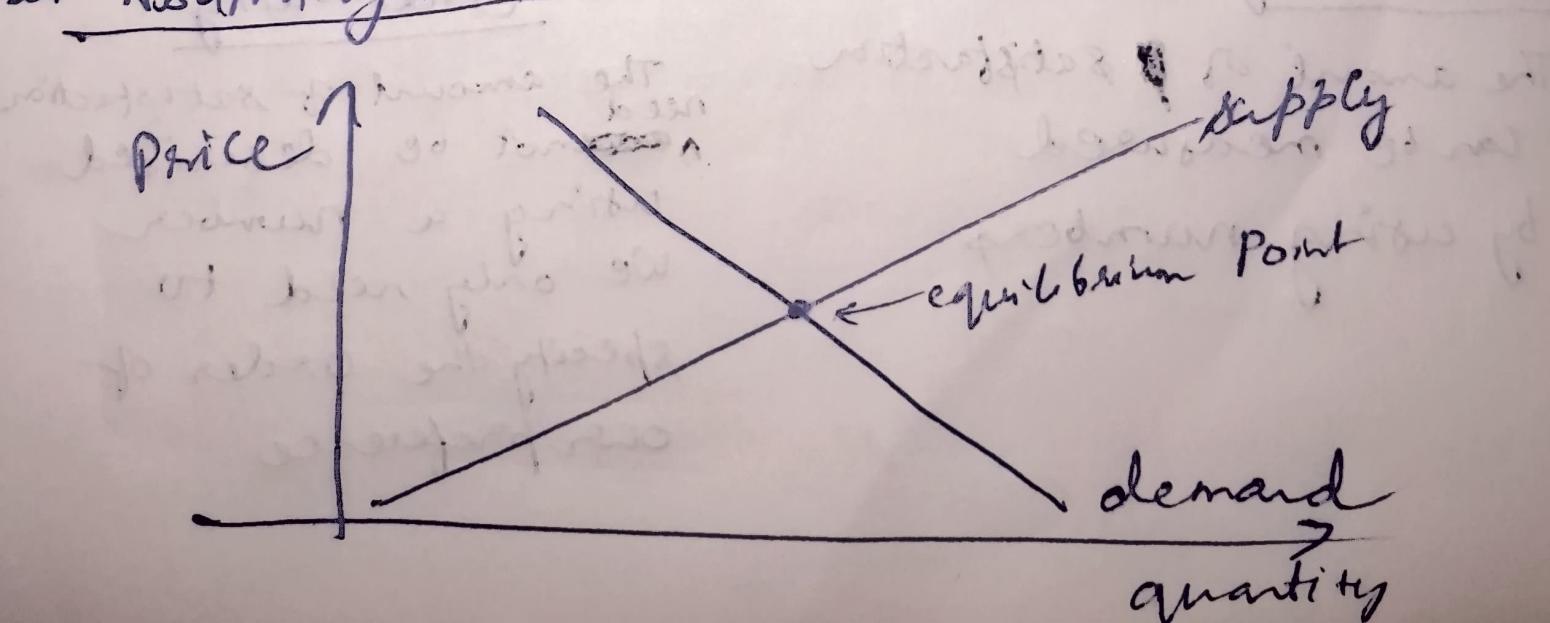
- Change in demand  $\rightarrow$  Shift of demand curve
- change in quantity demanded  $\rightarrow$  Moving along the demand curve.

## Supply Curve

\* Assuming that everything you produce will be sold



"Prices adjust to clear the market"  $P_n$   
Assuming that all the production is sold



~~Any fluctuation~~ in the operating point results in market forces to shift the operating point towards the equilibrium point.

Vineet Sir (7/11/23)

Utility: the amount of satisfaction we get from consumption of a good

2 schools of thought

Cardinality

The amount of satisfaction can be measured by using numbers

Ordinality

The amount of satisfaction cannot be described using a number. We only need to specify the order of our preference.

Completeness → }  
~~Ratio~~ Consistency → }  
Transitivity → } All these 3 are  
called Rationality

The Demand curve is downward sloping because marginal utility curve is downward sloping

Important topics for ENSEM

- \* Equilibrium of demand and supply  
[Can come in endsem]  
[Very Important]
- \* SKM (Simple Keynesian Model)
- \* Utility [covered in ~~the~~ Microeconomics part]
- \* Phillips Curve
- \* National Accounting Numerical
- \* Investment multiplier
- \* Govt expenditure multiplier