

An Orientation to Industrial Economics

Industrial Economics

MANAGERIAL ECONOMICS

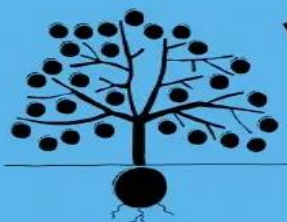
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Managerial economics is closely linked with many other disciplines such as

Micro
Economics

Macro
Economics



MAKE MONEY
FROM MONEY



TAX CUTS INCREASE
THE TAX TAKE

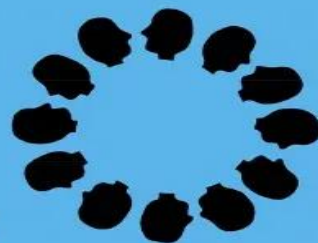
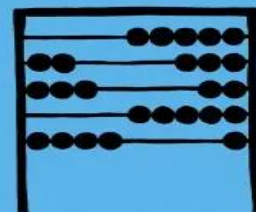


WE CAN KICKSTART
POOR ECONOMIES BY
WRITING OFF DEBT



WEALTH COMES
FROM THE LAND

THE
ECONOMY
CAN BE
COUNTED



SOCIAL
NETWORKS
ARE A
KIND OF
CAPITAL



THE
ECONOMY
IS A
YO-YO

THE ECONOMICS BOOK

BIG IDEAS SIMPLY EXPLAINED



PRICES COME
FROM SUPPLY
AND DEMAND

THE HOUSING MARKET
MIRRORS BOOM AND BUST



COMPANIES ARE
PRICE TAKERS,
NOT PRICE
MAKERS



WHAT IS A
JUST PRICE?

FINDING A JOB IS
LIKE FINDING A
PARTNER OR HOUSE



GLOBALIZATION IS
NOT INEVITABLE



THE LAST WORKER
ADDS LESS TO OUTPUT
THAN THE FIRST



Stakeholders of an economy

**MONEY AND
GOODS FLOW BETWEEN
PRODUCERS AND
CONSUMERS**
THE CIRCULAR FLOW OF THE ECONOMY

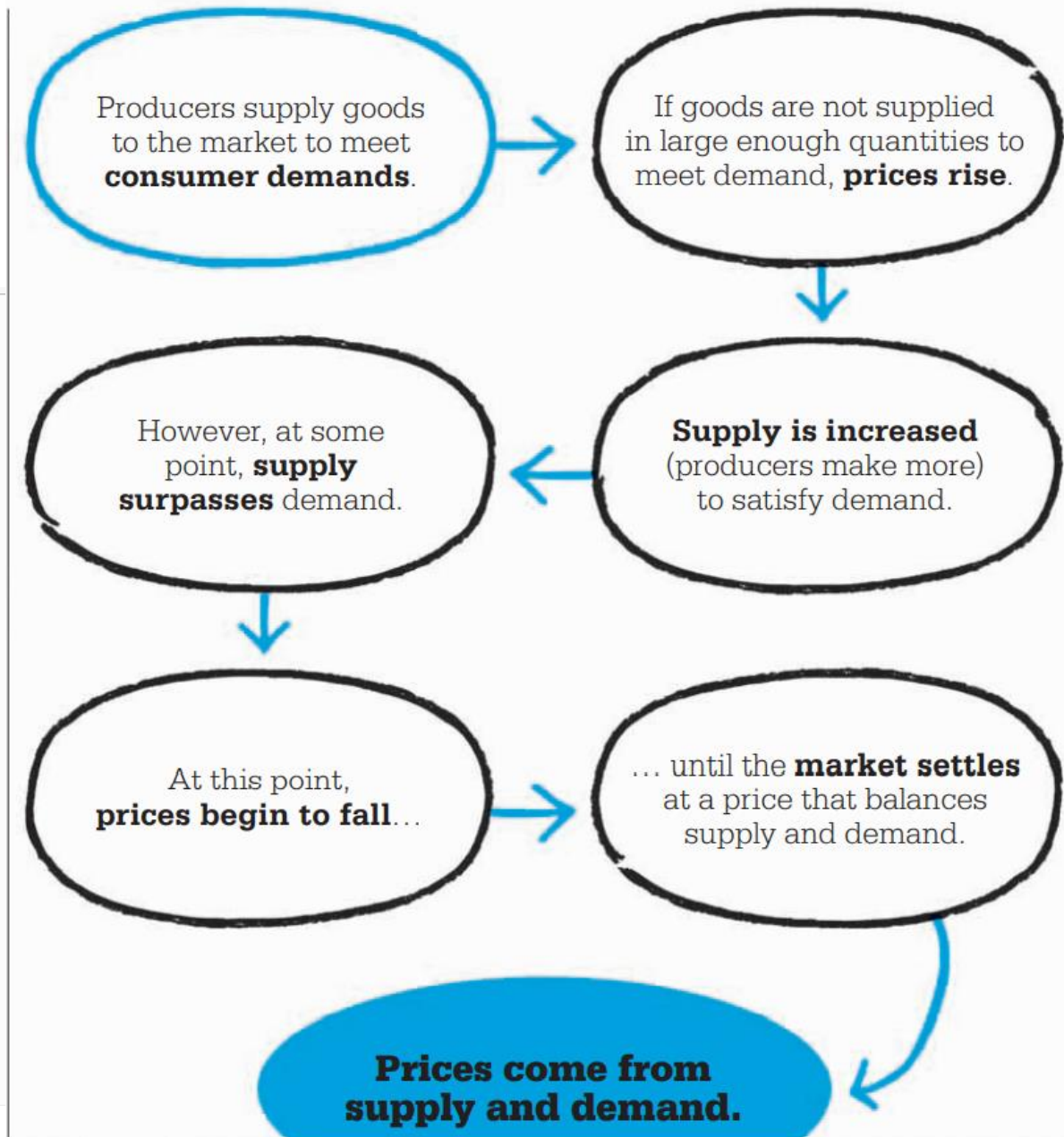


Scarcity- underlying principle

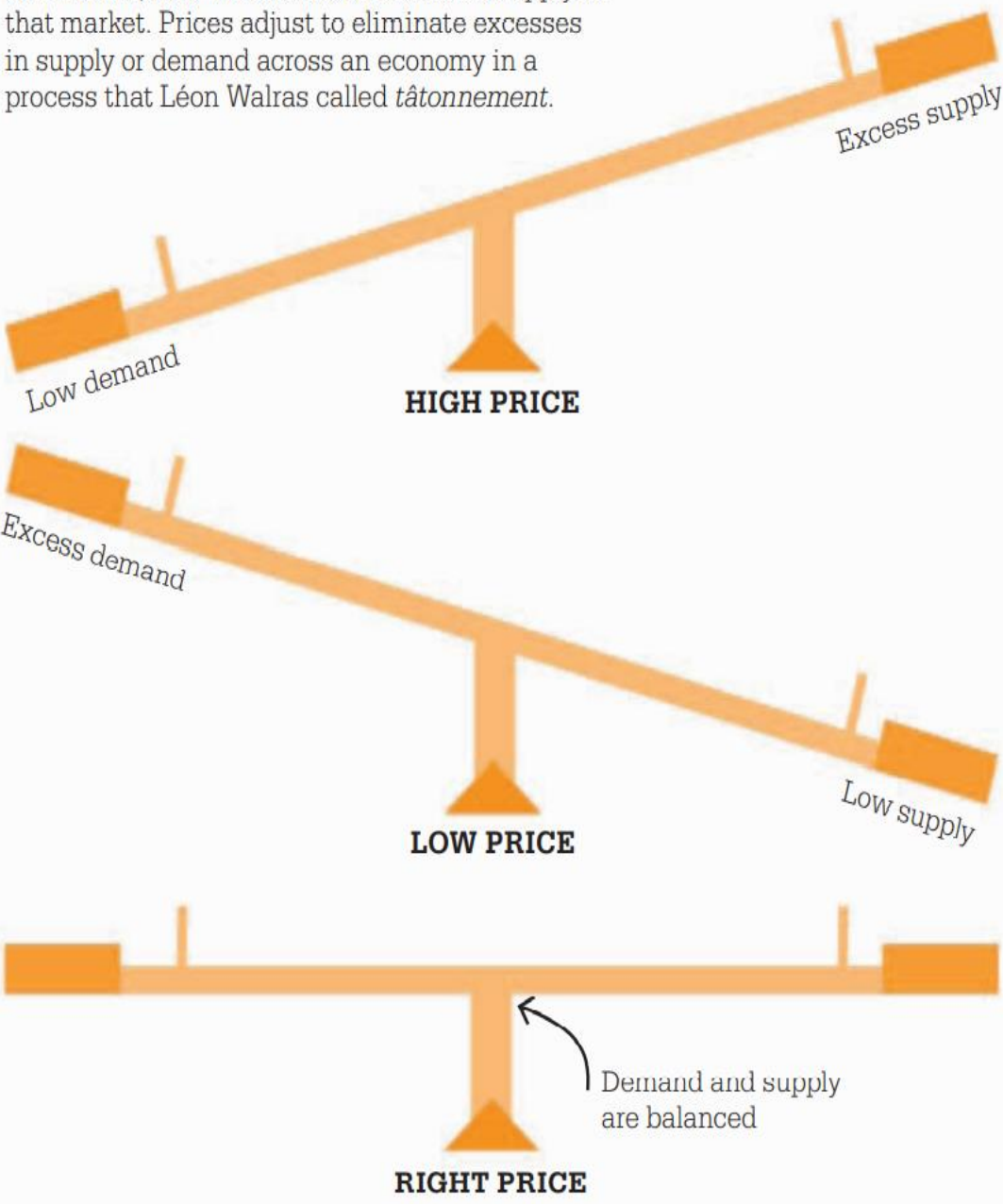
- There is scarcity of resources, but wants are unlimited
 - Nothing is free
 - Everything has a price attached to it.
-
- Who determines the price? Or How is price determined?
 - The crux of **Micro Economics**

PRICES COME FROM SUPPLY AND DEMAND

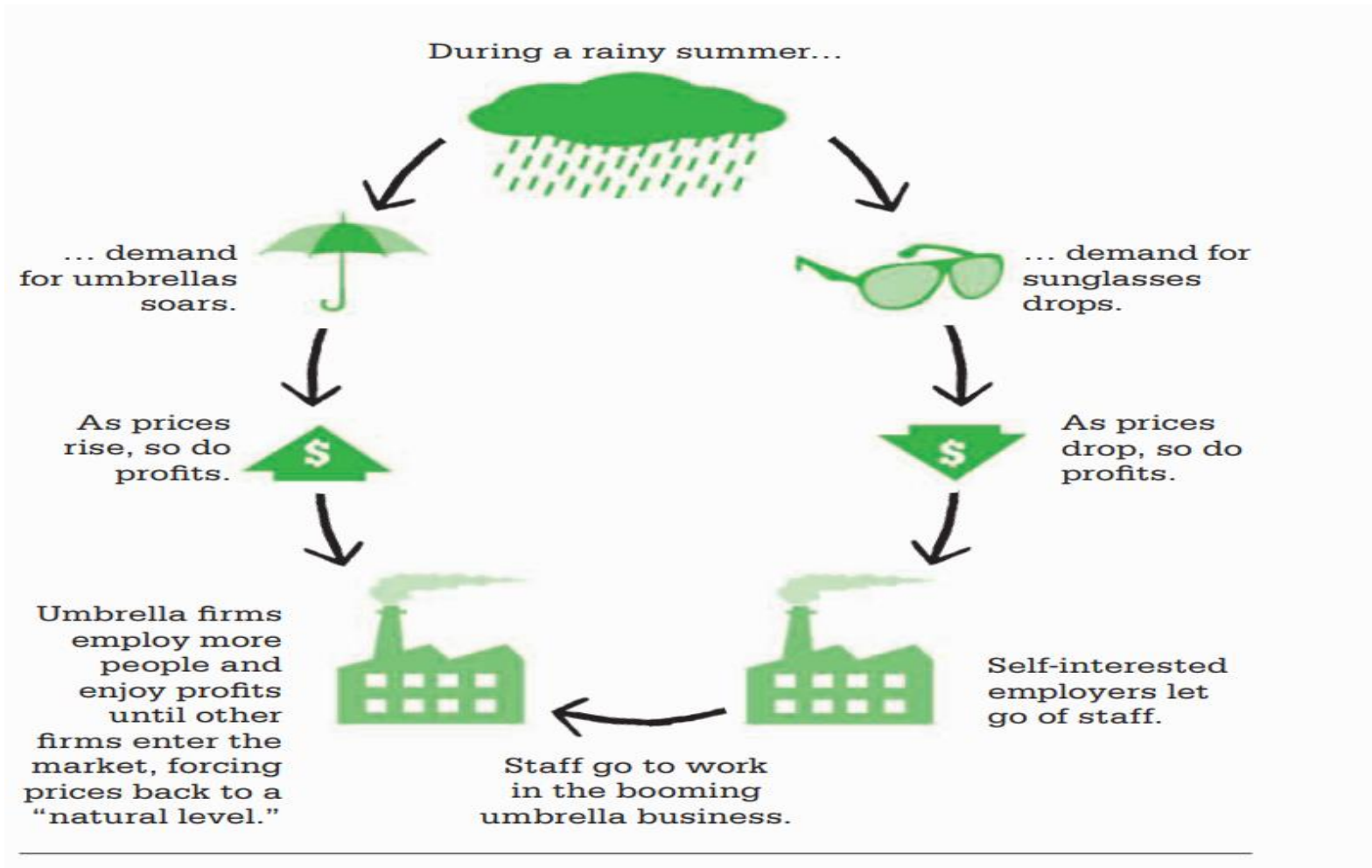
SUPPLY AND DEMAND



Where prices are judged to be too high in one market, this will lead to an excess in supply in that market. Prices adjust to eliminate excesses in supply or demand across an economy in a process that Léon Walras called *tâtonnement*.



Market dynamics



Water Diamond Paradox!



**WHY DO DIAMONDS
COST MORE THAN
WATER?**
THE PARADOX OF VALUE



Diamonds are worth more than water because each one is extremely valuable no matter how many you have, while water becomes less valuable, per unit, as quantities increase.



PEOPLE CONSUME TO BE NOTICED

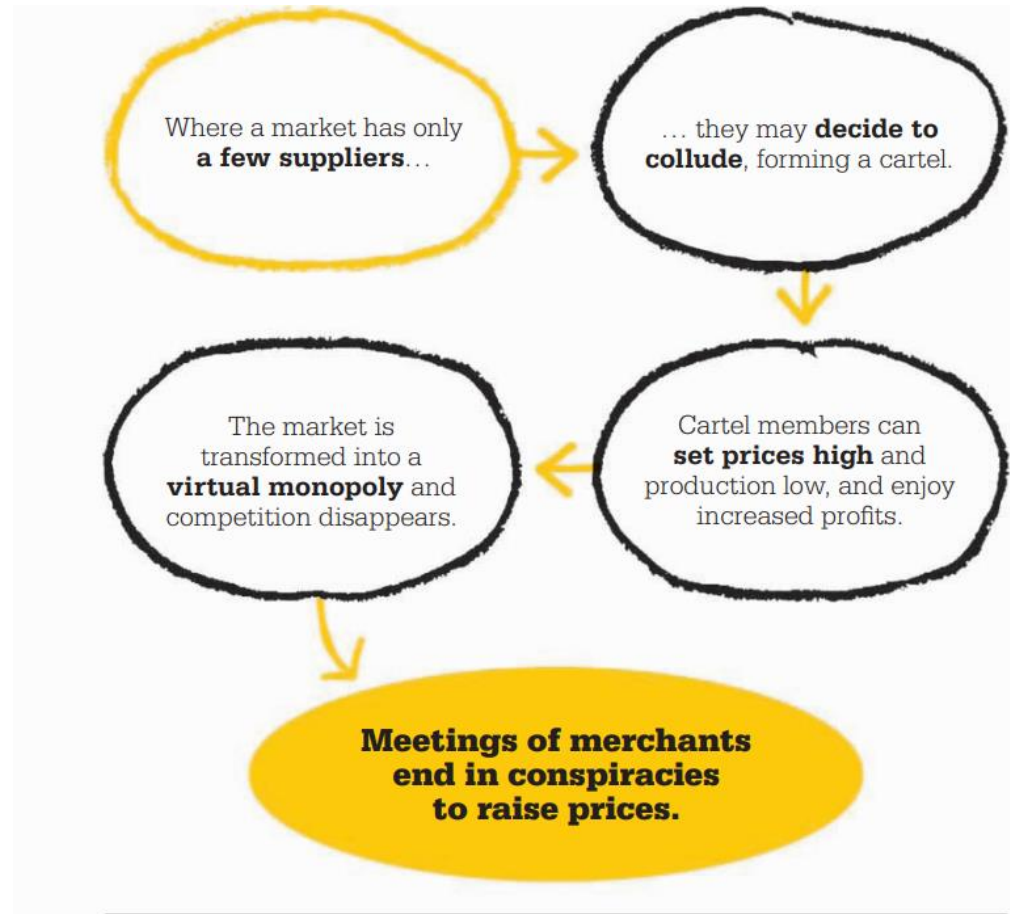
CONSPICUOUS CONSUMPTION



WHEN THE PRICE GOES UP, SOME PEOPLE BUY MORE

SPENDING PARADOXES

Producers' Conspiracy: Cartel OPEC

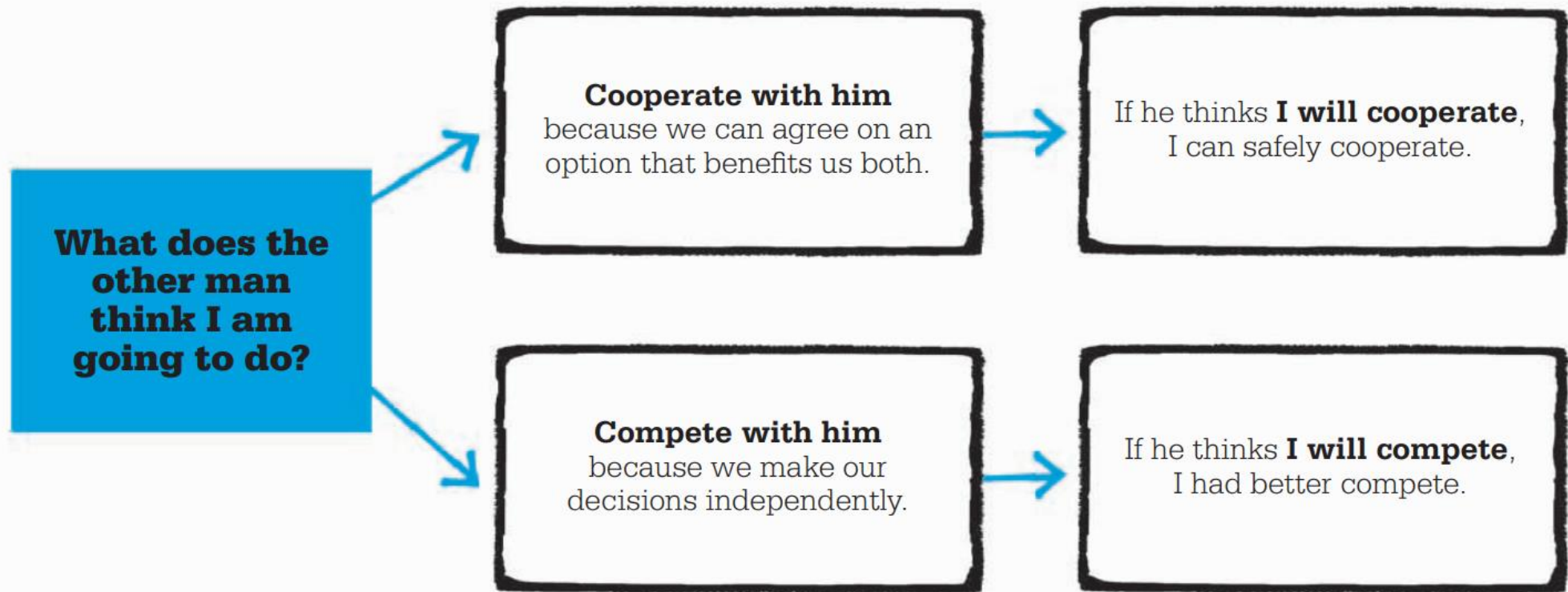


Strategy

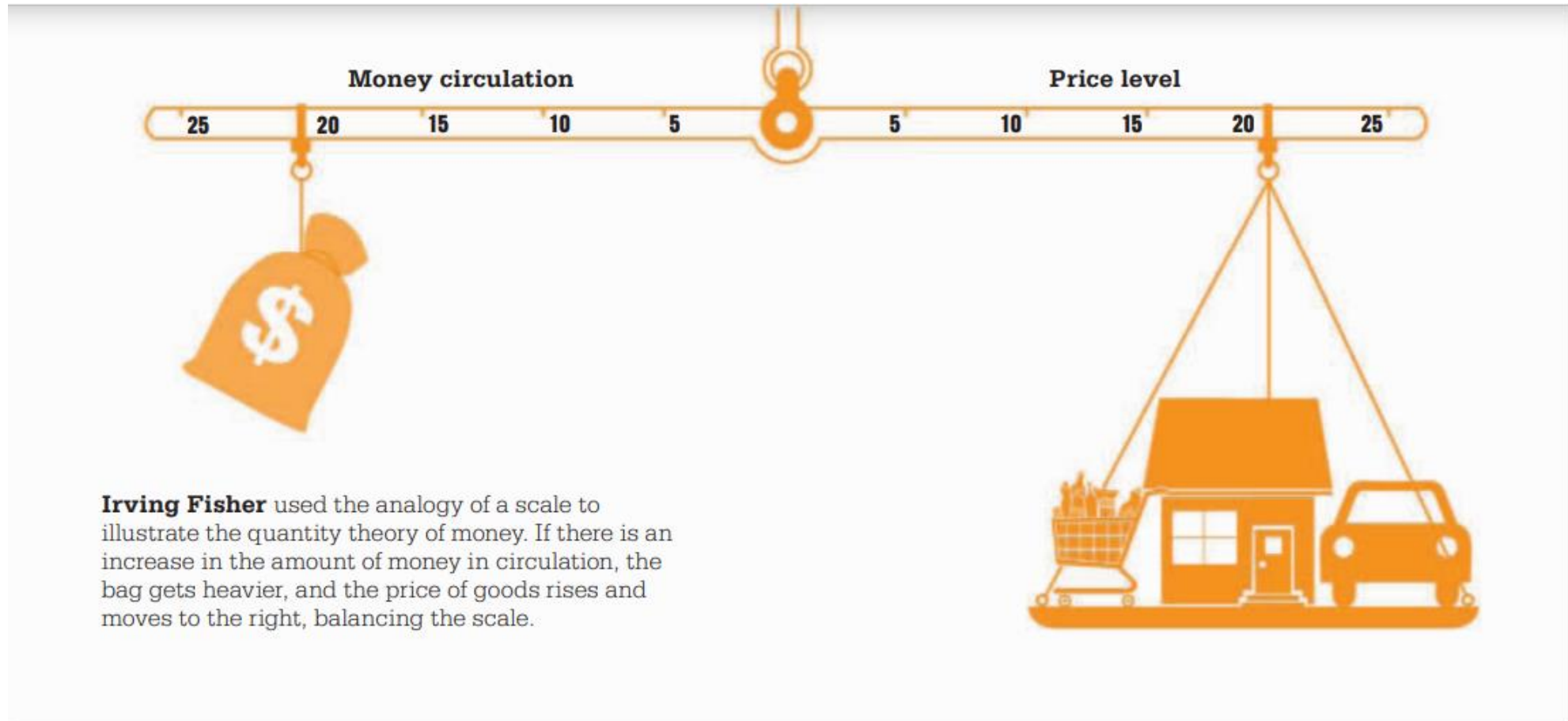
**WHAT DOES THE
OTHER MAN
THINK
I AM GOING TO DO?**
GAME THEORY



Strategists



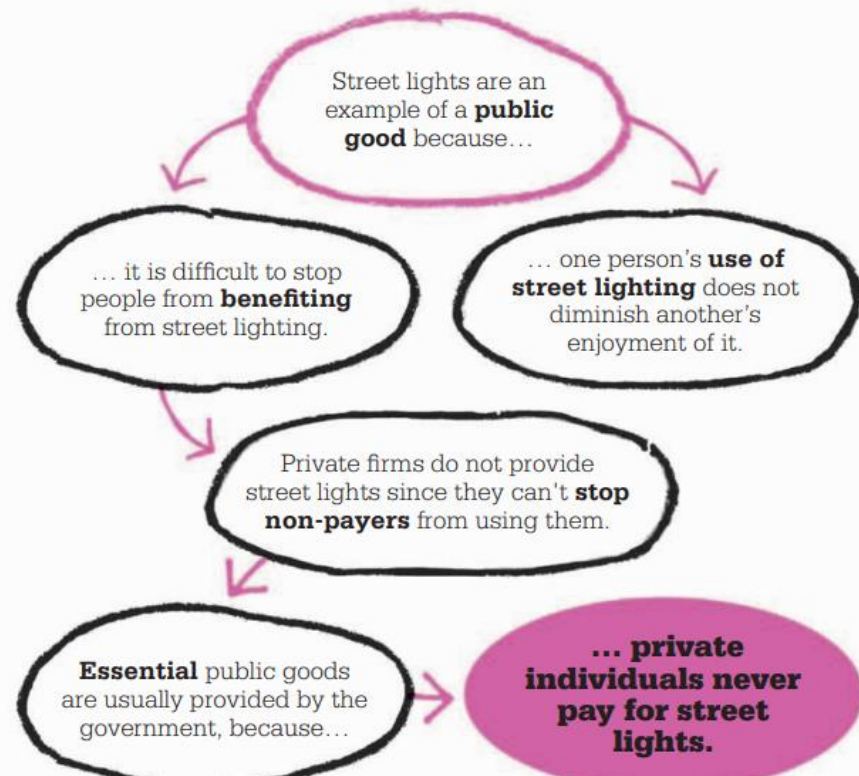
Money Supply and Inflation



Market Failure: Govt Vs Private

PRIVATE INDIVIDUALS NEVER PAY FOR STREET LIGHTS

PROVISION OF PUBLIC GOODS AND SERVICES



Who actually pays the biggest bills?



**MAKE THE
POLLUTER PAY**
EXTERNAL COSTS

Pareto Efficiency : Public Projects

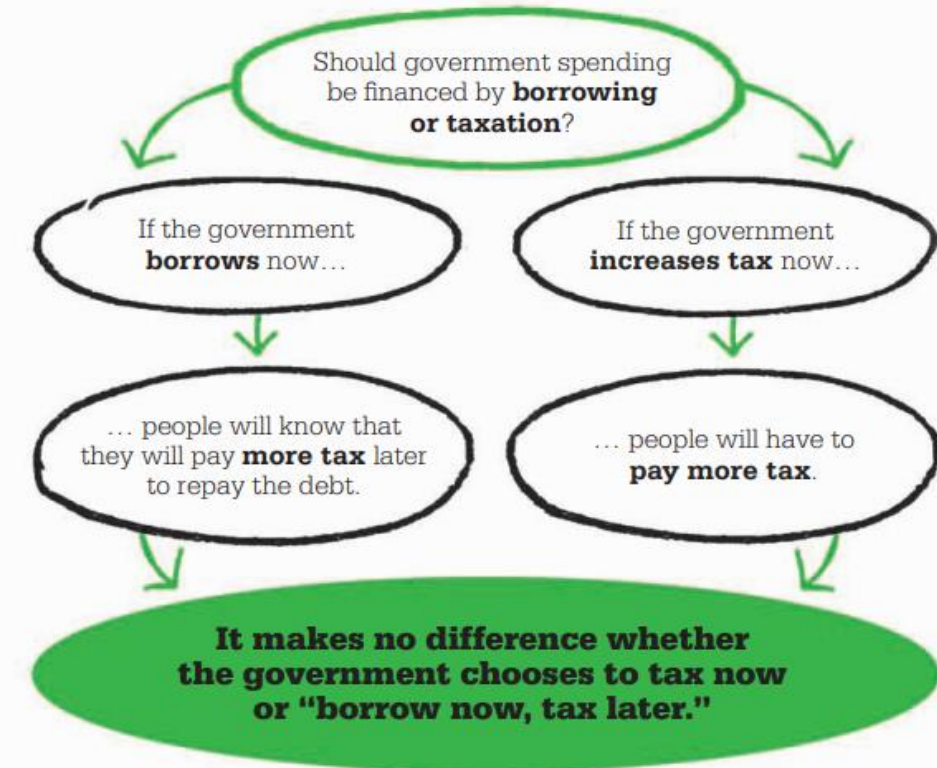


**MAKE ONE PERSON
BETTER OFF WITHOUT
HURTING THE OTHERS**

EFFICIENCY AND FAIRNESS

BORROW NOW, TAX LATER

BORROWING AND DEBT



- Inflation is taxation without legislation. Milton Friedman

Inflation

- For example, a small amount of inflation is usually viewed as a signal that a country's economy is growing and its residents have adequate income, both good things.
- However, excess inflation happens when prices too rise faster than wages, causing currency to lose value. The worth of a single unit of currency (a dollar, a euro, etc.) becomes less than it was previously and the purchasing power of the country's currency is decreased.
- Conversely, too little inflation can also be a troubling indication that a country's economy is stagnant and not enough people have enough work.

Inflation rate in India 2013-22

Annual inflation

6.97%

YoY ending in May 2022

Quarterly inflation

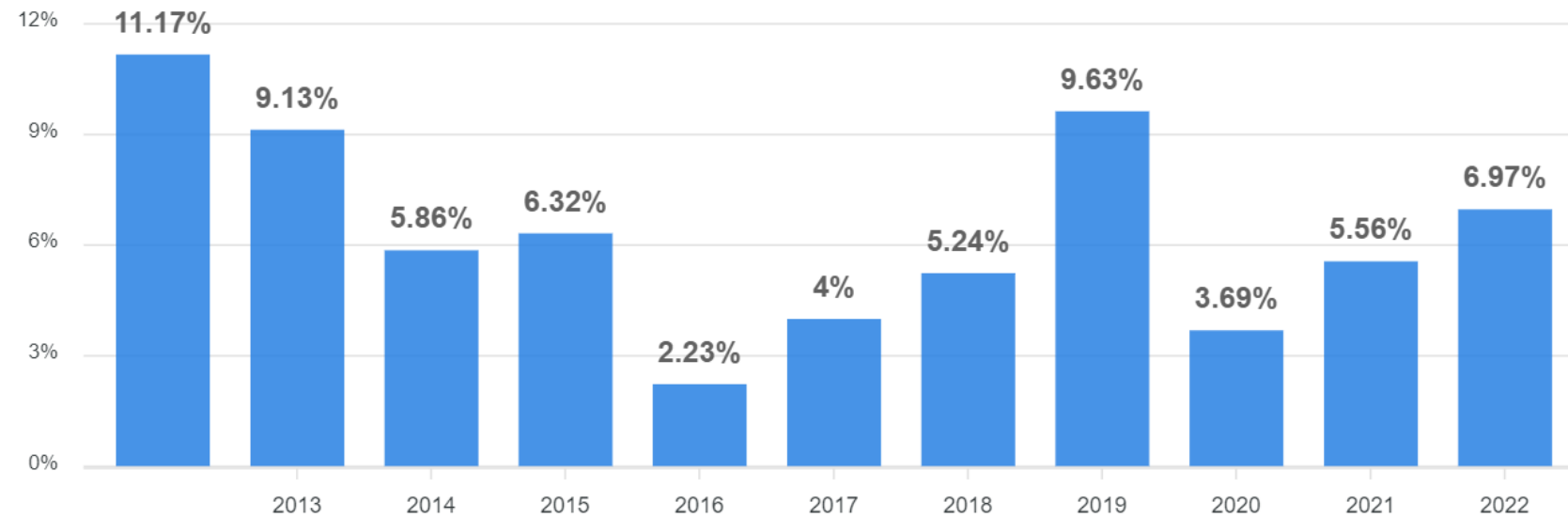
0.03%

2022 Q1

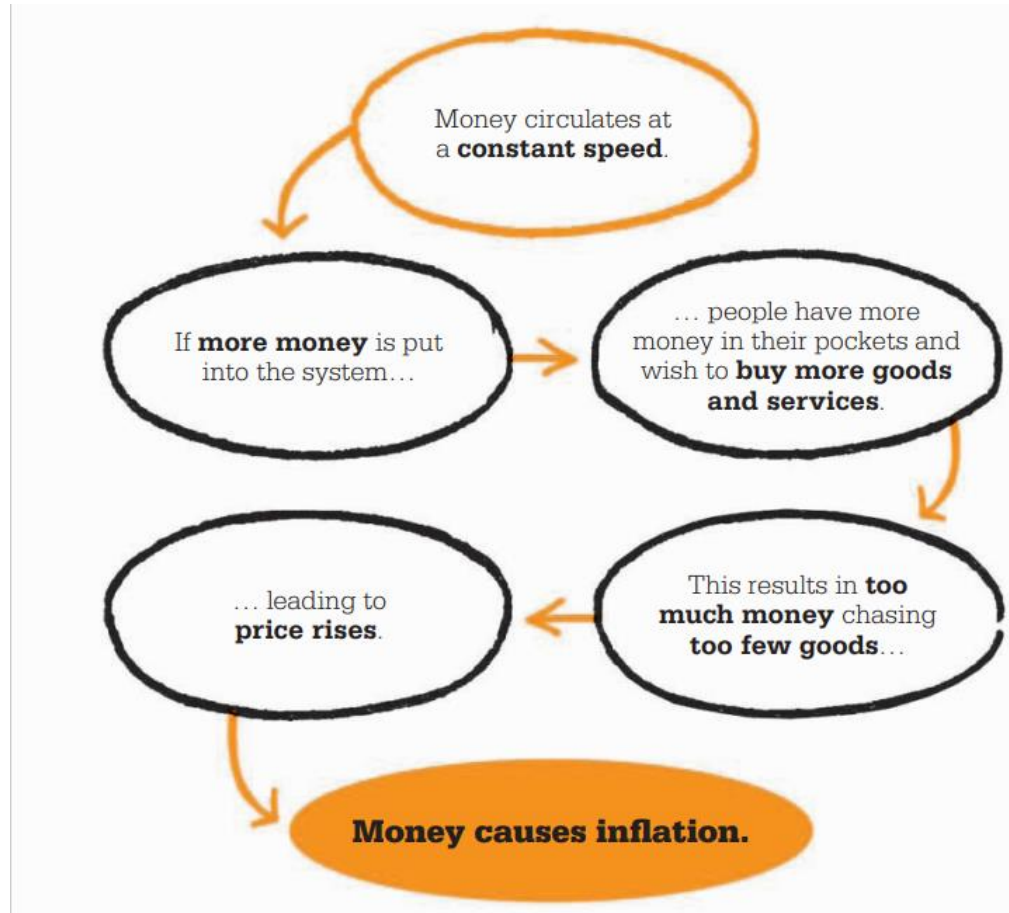
Monthly inflation

1.02%

May 2022



Inflation!



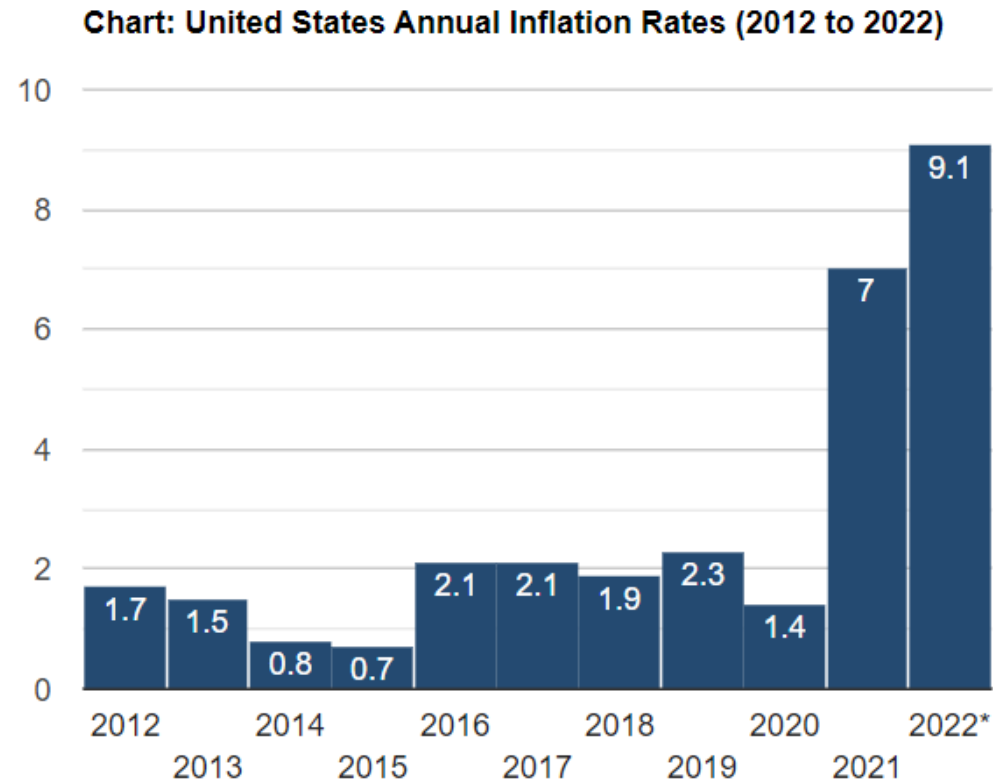
What are the countries with the highest inflation rates in the world?

Inflation is one of the indicators of a country's economic state, representing a percentage change in the general level of prices for goods and services paid by consumers (for consumer price index) and producers (for producer price index).

A higher inflation rate means lower purchasing power. In normal conditions, the **average inflation rate should not exceed 2% per year.**

Usually, the most economically and politically unstable countries are prone to higher inflation rates, and are among the top countries by the inflation rate.

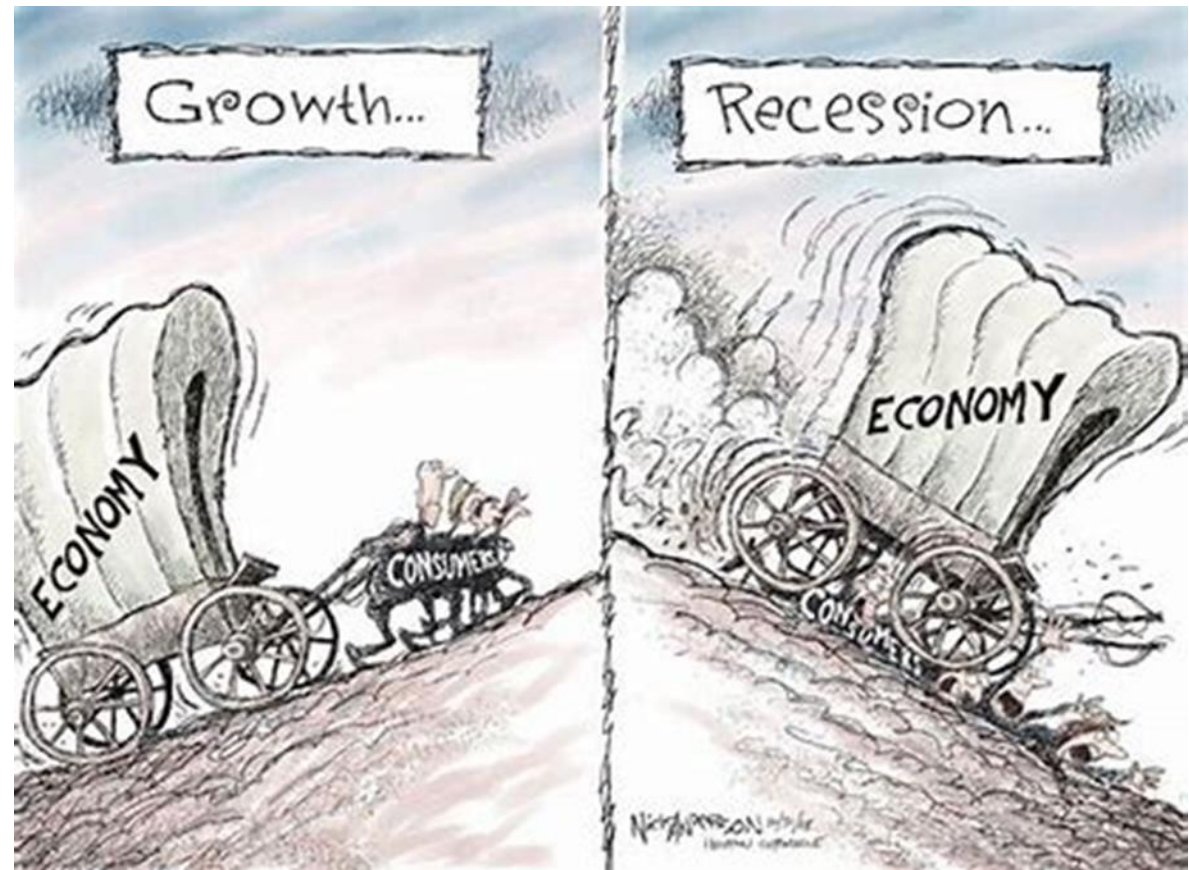
Annual Inflation rate in the United States 2012-2022



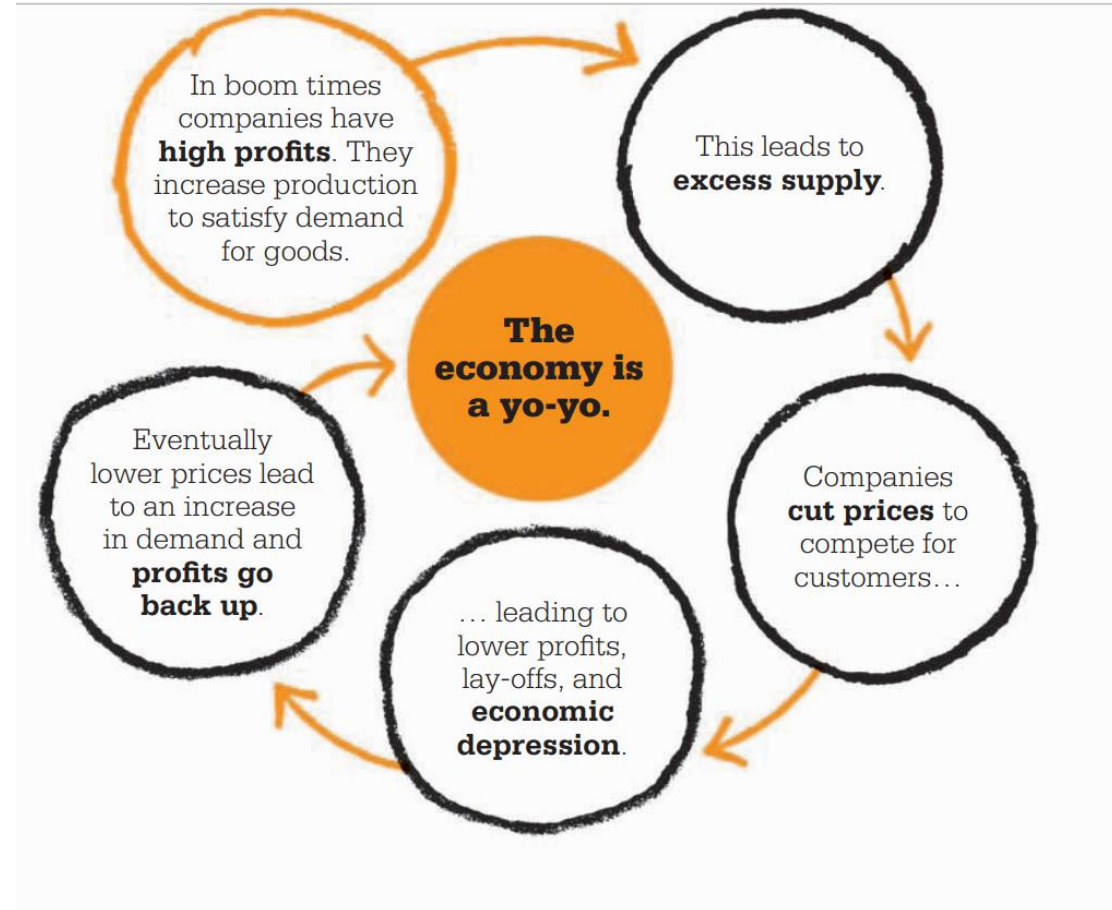
Growth & Business Cycles



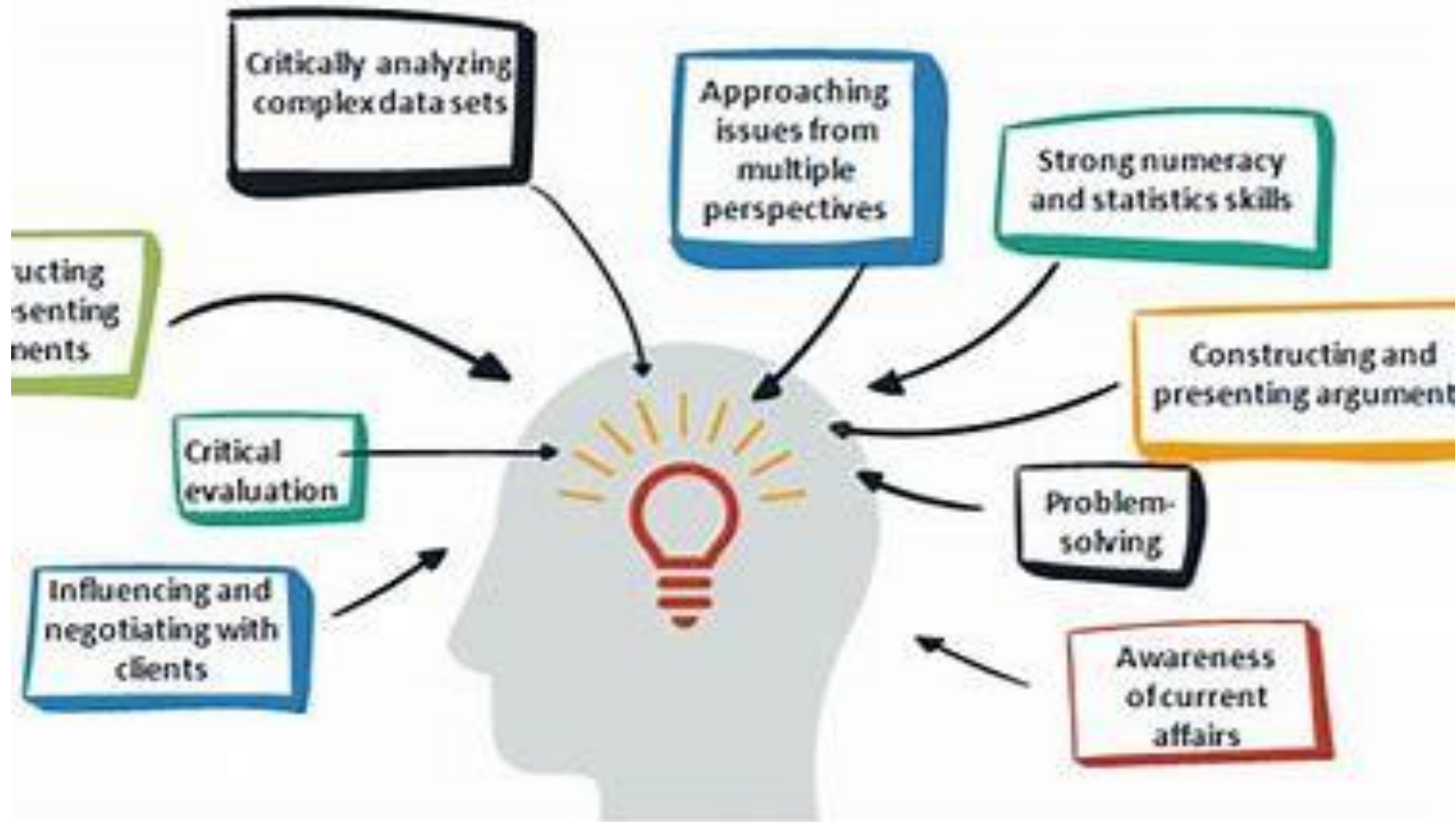
Skyscrapers are often built during times of excessive optimism, a sure sign that the economy is overheating. By the time they are finished, the economy has often crashed.



Economy is a yo-yo



Why to study Economics?



- Price
- Markets
- Income
- Inflation
- Depreciation
- Business Cycles
- Financial market
- Economic development

References

- The Economics Book, Big Ideas Simply Simplified
- Google data & Images
- World Atlas data