

Debating Economics (Incomplete)

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Four Basic Concepts

1. Poverty Trap

- Invest before you can get money
- Seeds before crops, Education before Income
- All economic growth involves time lag
- Poverty trap means no money to invest. Like people working in farms instead education
- Can be solved by
 - Foreign Capital
 - Saving money

2. Opportunity Cost

- No free lunch
- When you do something you lose an alternative
- Good to tackle liberal ideas like give someone everything
 - In this case you are taking away the opportunity to do something else

3. Pareto Efficiency

- Strive to achieve allocation of resources to make everyone better without making anyone worse
- Example is giving money to someone by taking it from someone else
- Ex: Trade

4. Micro/Macro Markets

- Micro markets are small scale markets: housing, labour, university degrees. Can be measured by demand and supply.
- Macro markets are related to whole economies. Broad understandings like unemployment, GDP. More wholistic approaches. \

Resources

- Planet money podcast
- Deloitte Weekly Briefing
- The 6 big economic ideas

Part 1

- Debating is all about trade offs
- What is economics about?
 - Scarcity
 - Incentives
 - Distribution over agents, time and outcomes
- Tradeoffs?

- Money v/s Happiness
- People having jobs vs people having choice (conflicts)
- short term v/s long term trade off
- efficiency v/s equity (additional incentives to rich means a bit less inequity)

Distribution

Distribution

- Job based should we pay so much to the CEOs. Class based
- Regional distribution

Economic and Social outcomes of inequality

- Social instability
- Diminishing marginal utility. % amount ~ utility
- unemployment and hysteresis
 - People who have been unemployed for a long find it difficult to get re-employed
 - Or else they drop out of labour market
- Crime
- Expectations are relative. You having a small house makes you feel good as compared to someone who does not have a house but it makes you feel bad as compared to someone who has a bigger house
- Self perpetuating in LR
 - Sources of income for the rich are naturally more than the working class
 - Rich invest in markets, performance of companies in markets determine the profits of the company and profits of the company determine the wages of the poor.
 - Every step will be at best equal to the previous step i.e. percentage growth of the company cannot be more than the growth in the markets and the percent

increase in the wages cannot be more than the percentage increase in the companies' profit.

- Hence, the pay gap between the rich and the poor will always perpetuate and increase.
- Social Mobility
- Type of economy. Skew the kinds of good available. Because the goods that are available are for the people who can pay and the goods benefit the rich who can pay.

Geographic Inequality

- Low mobility: People are generally not willing to move to some other region even if there are less jobs or living conditions are poorer. Reasons?
 - Ethnic