

## Day-16

- hospitals have  $H_2$  tanks
- Economy can't grow continuously
- Usage of resources
- Utility: The use that we get from consuming the good
- Producers get utility from goods that they use to produce a good
- Rampaged use of non-renewable resources
- Prices increase if economy starts growing.
- Cost which economy ends up paying: inflation
- If economy increases by  $x\%$  how much will inflation happen.
- CHINA'S GDP  $\rightarrow$  4-5 times India's GDP
- Firms invest in production factors, tech.
- Investments for an economy:

### • Human resources -

- develop skills: Basis is education
- ★ Tamil Nadu has many skilled workers; have diploma for colleges but still unemployed
- Job opportunities
- Savings = Investment in terms of economy

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$$\text{Current account} = \frac{\text{Total import} - \text{Total export}}{\text{deficit}}$$

$\rightarrow$  If export > import

→  $\text{Exp} = \text{Imp}$

→ As unemployment ↑, inflation will fall, prices will fall

→ Employment ↑  $\Rightarrow$  prices ↑

→ During COVID the online expenditure done by people increased. Amazon, Zomato, Big-Basket grew  $\rightarrow$  Revenge travel in economics

→ Objectives of rising economy: -

- Grow without troubling anything else. (measuring eco. value); measured using GDP.
- Stable economy. Price stability  $\rightarrow$  key objective (stable inflation level).
- GDP - measure of the market value of all the final goods and services in a specific time period.

→ Compare inflation with avg. income.

→ % GDP/economy growth  $\Rightarrow$  Real GDP growth.

→ Nominal GDP is measured in actual market price.

→ Potential GDP: GDP if all skilled workers are employed, all resources used efficiently.

→ Recession - consistent fall for small period of time.

→ Short run: 0-3 yrs  
medium run: 3-5 yrs (or 3-7 yrs)  
long run: >5 yrs (or >7 yrs)

→ Just before COVID, India's production went drastically down.

→ COVID was like hard reset.

→ One more lockdown → 30%-40% ↓ in GDP.

→ COVID reinforced recession. India did not go into economic depression. (Hard reset)

→ why US monthly unemployment rate ↓  
due to Great depression (1929)

→ Layoff comes under unemployment increasing but not salary fall.

→ Diwali bonus → spending decisions

→ Nominal GDP is misleading. Does not take into account price changes.

→ 1974-75 → 2nd oil price shock, emergency declared.

→ Base effect: The impact of a previous period on current growth estimates or inflation



