

## Day 20

→ macroeconomics:

- Studying economy as a whole.
- Optimization of usage of scarce resources
- Growth comes at a cost.
- Sustainable growth and stable inflation.
- maintaining low levels of unemployment.
- Zero inflation is not possible when growth happens.

→ Hyperinflation - eg: Zimbabwe

→ How to achieve objectives of macroeconomics?

- Through policies

→ What kind of policies?

- monetary policies (by RBI) → RBI wants to maintain inflation target -  $4\% \pm 2\%$ .
- Fiscal policies: Can change tax rate, govt. expenditure (by central govt.) (eg: infrastructure, defence-related, etc.)
- During Ukraine war, India's wheat export shot up → External shock.
- Other commercial banks borrow money from RBI.

- Loan to deposit ratio  $\sim 80\%$  to  $90\%$ . (from Google)  $\rightarrow$  Business model of banks.
  - Repo - Repurchase operations
- $\rightarrow$  measuring Economic Activity - GDP

★ Circular Flow diagram:

Product flow approach  $\equiv$  Cash flow approach

In terms of  $\sum P_i Q_i$

$W_i, I_i, \pi_i$

Wages + Rents + Profit = Income

- Budget announced is for upcoming year.