

Day 1

→ Tara Shankar Shaw:

Office No. - 7320 [408, Rahul Bajaj]

tara.shankar.shaw@iitb.ac.in

→ Economics - Science of making choices.

→ Science:

- Cause and effect
 - Observable
 - Replicable
- } All these in economics

→ Choice is different from rational choice.

Rational choice - done for optimization
(most beneficial)

↓
maximize satisfaction

→ We think all humans are different, but if they all are rational, then

Human behaviour is controllable.

Hence, policies are made to do this.

→ more profit can be made by making process slower.

Case studies: HP printer, Tesla EV.

Process slower \rightarrow more (household) customers.

\rightarrow Capital gain - Increase in value of asset due to time.

It is the difference between selling price and cost price (when the product was bought)

\rightarrow Indexed Capital Gain - Difference between selling price and inflated cost price of the product.

\rightarrow Intersection point: Tax with and without indexation benefit match.

\rightarrow Any govt. economic policies have unintended consequences. Major research happens here only.

