

Day-2

→ Chanakya's Thought - state development, spiritual thought, but idea not followed later on.

→ marginalism - Instead of directly thinking of benefit of 10 pens, we should think of it at the instant we buy 3 pens.

→ For modelling we need calculus and optimisation techniques.

→ Sale's law - supply \Rightarrow consumption

But demand and buying capability needed. led to Great Depression in 1929

→ Keynesian economics - look for demand, employ people.

→ neo-classical economics - Govt. mustn't interfere in a smoothly working market, reduce taxes.

→ Both consider individual (micro-economic) aspect.

→ No one has right to choice, it can be manipulated.

→ wealth: sum of all goods/services that command value in exchange.

- Economic value: mother working in home, creates economic value, but can't be measured.
- market value: can be measured, any work we do that earns money.
- Normative - Based on norms (culture) of society.
- Positive - Cause and effect are studied, nothing good or bad.
- Tiny models:

measurement of economic activities (any activity passing through market)

FIRMS

Factors of production:

1. Land
2. Labor
3. Capital *
4. Entrepreneurs

Produced means of
production
(Not yet consumed
for personal purpose)

* Not money/stocks. Those also used to

... more of assets. They can also
buy capital.

$K_t \rightarrow$ Stock.

Change of capital stock is investment

$$I_t = K_t - K_{t-1} + \delta K_{t-1}$$

$\delta K_{t-1} \rightarrow$ depreciation

