CHAPTER 2 :-BASICS TO STUDY WITH ECONOMICS.

1. **Business cycle**:- to start business cycles shows the philosophy of one’s a person is born he went through several stages of growing same here with business cycle a business is born with the introduction of business then it goes through expansion (here the business is reaching out a large number of people).then the growth stage(when business has expanded that much that it start generating revenue on a greater speed)

Later on after reaching climax of the expansion and growth it is assumed that the next stage would likely to be slowdown (if no innovation is done here). Then at the end the stage of recession.

1. **Classification of economy :-**

Primary sector :- this sector involves transforming natural resources into primary products. Most products of this sector are considered raw material for other industries. This sector includes agriculture,fishing,forestry and all mining and quarrying industries.LARGER SECTOR IN DEVELOPING COUNTRIES;

Secondary sector :-this sector of economy includes those economic areas which creates a finished, usable product :manufacturing and construction etc. this sector generally take inputs from primary sector either to create finished usable product ot goods facilitating other industries to make finished goods.

Tertiary sector :- this sector also known as service sector, it can be understand by eliminating two other above sectors. Conventionally services are intangible goods. Services are for the facilitation to either any business or goods to consume .services may include transport, distribution of sale of goods from producer to consumer,banking,insurance,tourism,government. It consist soft part of economy.

Quaternary sector :- it is basically extended version of three secors above or also it can be said after these three above sectors other sectors are in developmental phase .it principally concerns the intellectual services ,information sharing ,consultation, and research and development .it can be observed that the companies use this sector for further expansion.

Quinary sector: - is sector of economy where high level decisions are made by top level executive in government or industry, business, education, media and nonprofit organizations.

**On the basis of control:-**

Planned economy:- this kind of economy also called command economy,here all the economy decisions are taken or controlled by government,no effect from other economy is felt here .here private property is not allowed.

Market economy :- economy where all goods and services are effected by market or in right words the economy which work only on market basis,no interference by government or any other institution.

Mixed economy :- economy where working is done by mixing both the above controlled factors intervention from government for provoding basic thing to deprived and other economic activities are done along with market it’s just contol by government to see that social duties are fulfilled or not.

1. Circular flow of income in economy:-

Financial intermediaries

 Land

 Labour

 Capital Rent

 Wages

 Profit

Above illustrated picture shows the circular flow of income. Here households are providing land,labour,capital to the business firms for the return in the form of rent,wages and profit.

Households provided facilities can be said as factors of production and business firm provided facilities as factor cost.

In this above exchange facilitation of exchange is done by financial intermediaries.

**Financial intermediaries** can be banks and non-banking financial institution(example jab ghar pe pda hnn sona tab kahe ka rona mannpuram gold loans lol)explained in upcoming intermediaries.

1. **Economics**  Micro economics (about individual)

Macro economics(about the entire economy)

1. Inflation :- understand inflation in simple terms further more extensive explanation is given in further chapters.

What is inflation?(using example)

Take an example of a laptop that is priced 10k(assumption by looking at future hahah)

  

But somehow the people got huge amount and they all want to buy laptop

 now these each person have 10k to buy a laptop and laptop available is single output. So thesituation aroused above will increase the price of laptop that is inflation.

So it can be established that to fight inflation the amount of money available to people should be reduced.

Opposite of above situation where money is scarce to buy product is deflation situation.

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| **To combat inflation** | **To combat deflation** |
| Reduce money supply | Increase money supply |
| Tight money policy | Easy money policy |
| Dear money policy | Cheap money policy |
| By above example the money should be reduced  | If deflation occurs in above example money should be injected to people |
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