

# Economics II

## Factors markets

### Part III. Capital market

# Introduction

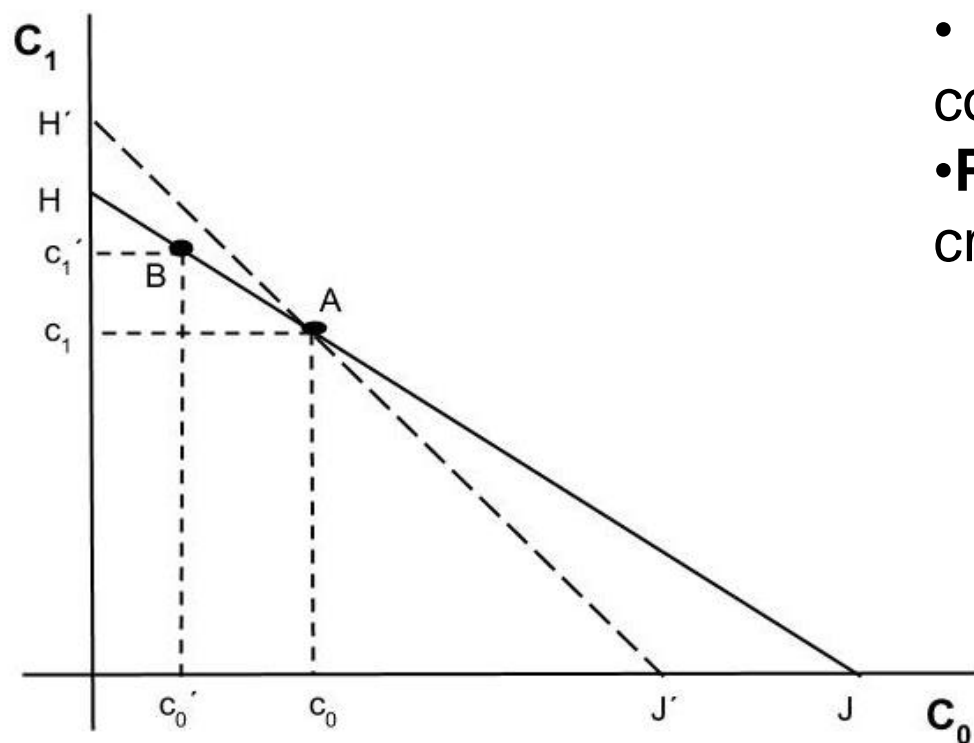
- 1 Capital
- 2 Consumption decision-making
- 3 Investment decision-making
- 4 Investment decision-making for multi-period
- 5 Real and nominal interest rate
- 6 Investment decision-making and risk

# Capital

- Capital forms:
  - a) Capital goods** ( factory building, machines, ... )
  - b) Financial capital** (bonds, shares, etc. )
  - c) Human capital** ( knowledge, skills)

# Consumer decision-making

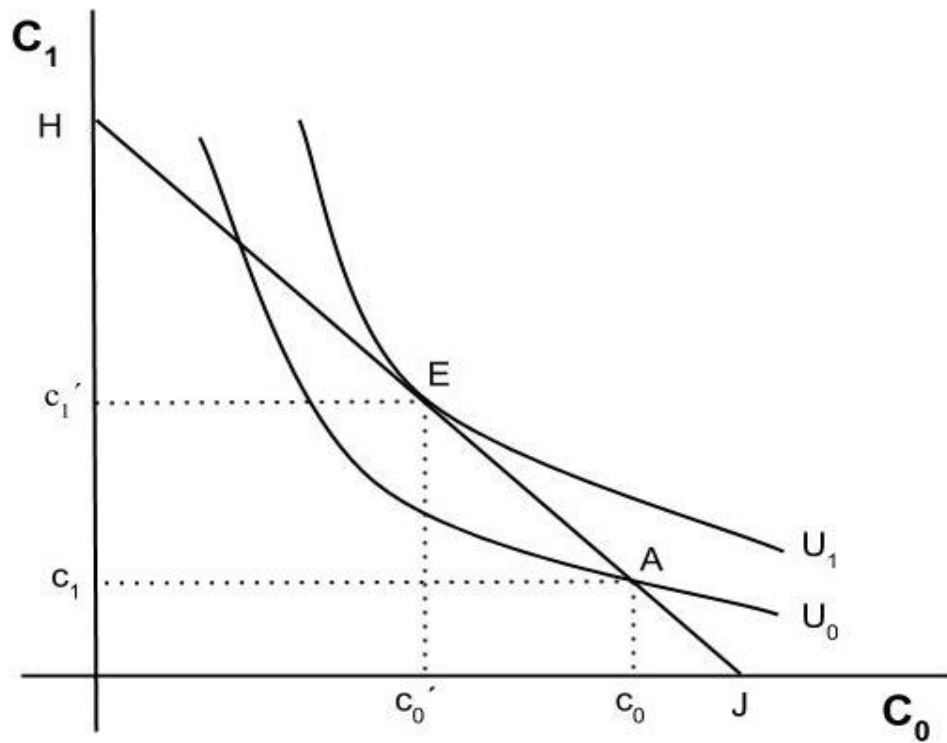
## Line of market opportunities



- **Point A** = consumer consumes all of its income
- **Point B** = consumer is a creditor

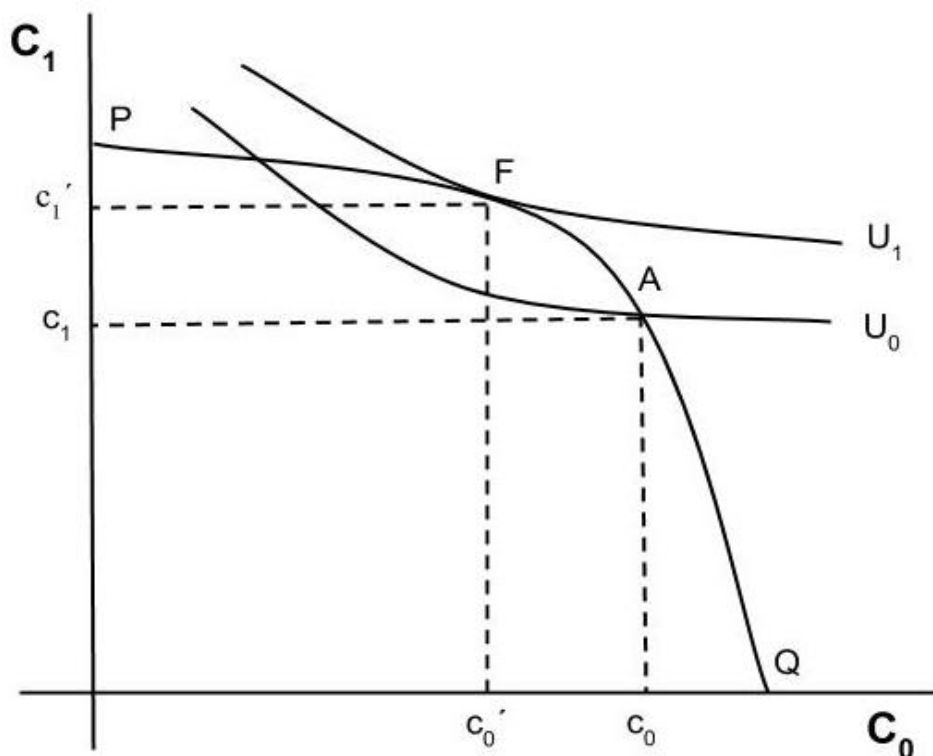
# Consumer decision-making

## optimum consumer



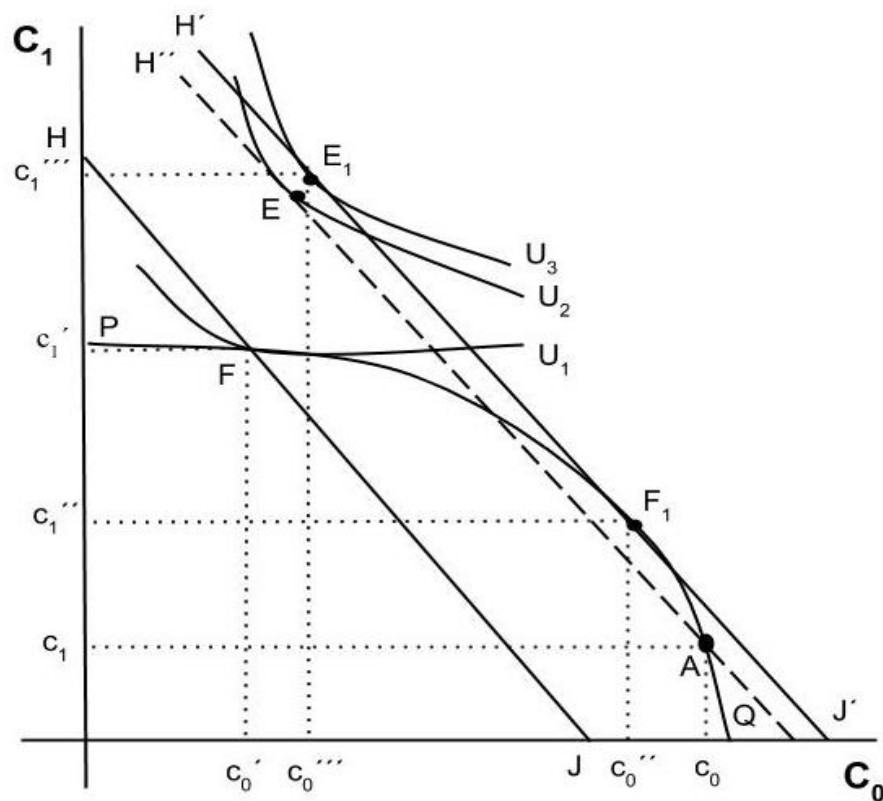
# Investment decision making

## Investment decision making in the absence of capital market

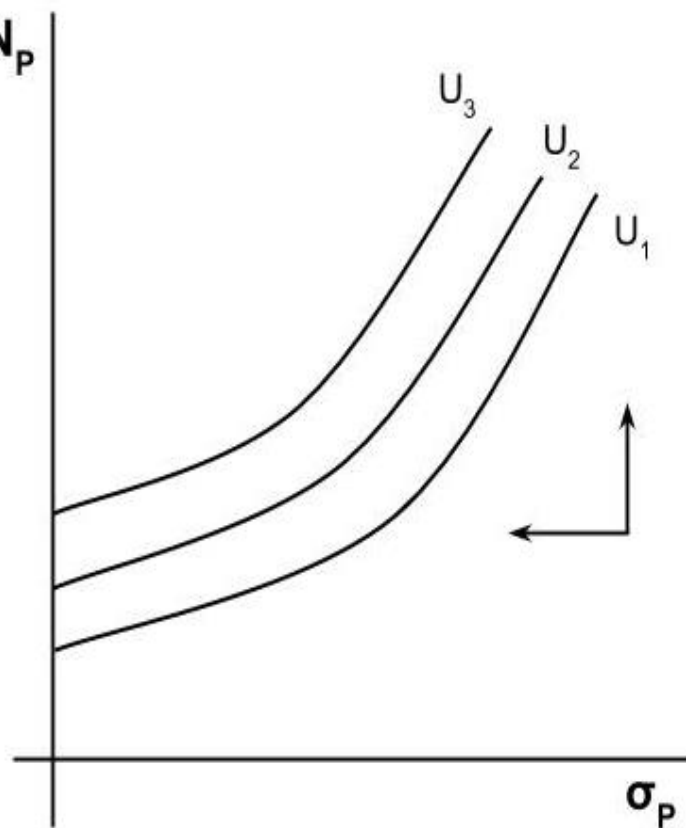
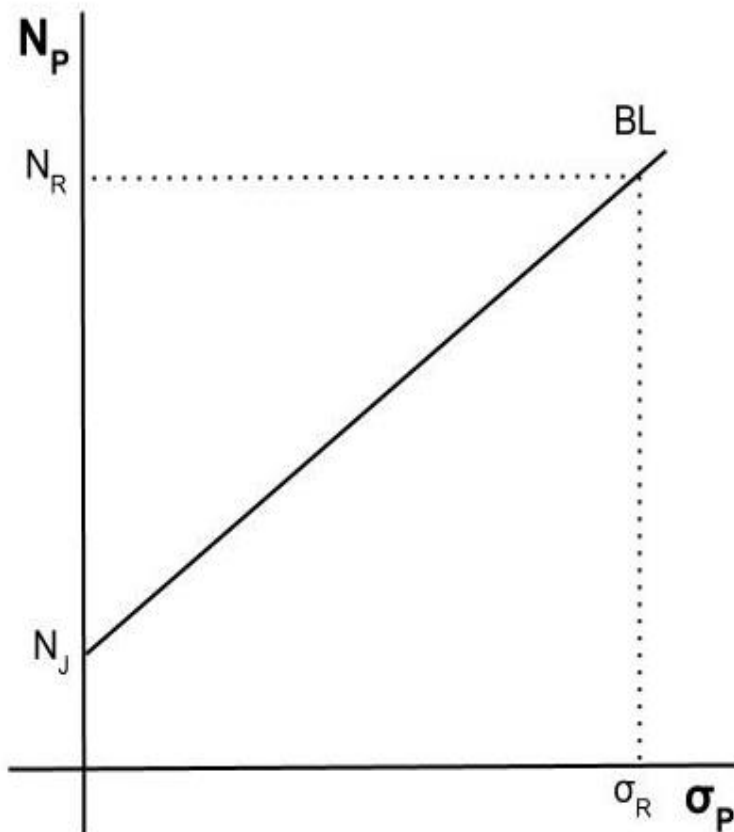


# Investment decision-making

## Investment decisions in existence capital market

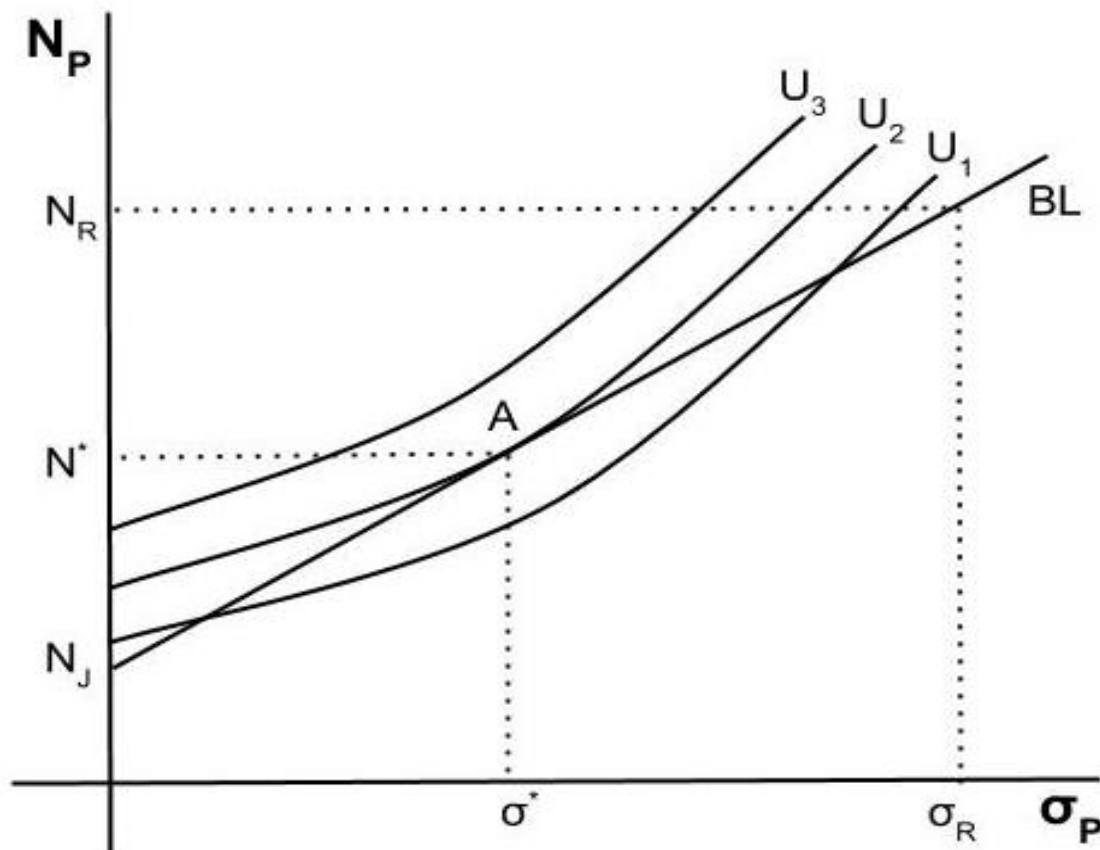


# Budget line and indifference map





# The choice between risk and revenue



# Thank you for your attention



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