

Economics

Course Title: Economics
Course No: ECO155
Nature of the Course: Theory
Semester: II

Full Marks: 80 + 20
Pass Marks: 32 + 8
Credit Hrs: 3

Course Description:

This course covers the basic concepts of microeconomics and macroeconomics. It encompasses basic economic problems, demand, supply, market equilibrium, elasticity of demand and supply, consumer choice, production, cost, revenue, market structure, concept of national product and income and its measurement, monetary and fiscal policies.

Course Objectives:

The main objective of this course is to make students familiar with the basic concepts of economics.

Course Content:

Unit 1: Economic Issues and Concepts (4 Hrs.)

Introduction to economics with reference to Alfred Marshall and Lionel Robbins' definitions ; Concept of microeconomics and its scope; Main characteristics of free market, centrally planned and mixed economic systems; Society's production possibility curve/frontier, and choice, scarcity and opportunity cost

Unit 2: Demand, Supply and Price (10 Hrs.)

Meaning of demand and supply; Law of demand and supply; Individual and market demand and supply (with schedule and graph/curve); movement along and shift of a demand and supply curves; market equilibrium: the interplay of demand and supply; change in market equilibrium due to factors shifting the demand and supply curves; price, income and cross-price elasticities of demand and their measurement by percentage and arc/mid-point methods; price elasticity of supply; concept of consumer and producer surpluses; government intervention in the market through price floor, price ceiling and tax and effect

Unit 3: Consumer Choice: Indifference Theory (6 Hrs.)

Concept of utility, total utility and marginal utility; Law of diminishing marginal utility; Indifference curve analysis: Meaning and assumptions of indifference curve analysis; basic properties of indifference curves; right-angled (L-shaped) and linear (straight line) indifference curves, marginal rate of substitution (MRS); consumer's budget line; consumer's equilibrium, income consumption curve (ICC) and price consumption curve (PCC) for normal, inferior, and Giffen goods.

Unit 4: Production (6 Hrs.)

Meaning of production and production function (Cobb-Douglas production function) ; production with one variable input: the law of diminishing marginal productivity/returns; production with two variable inputs: concept of isoquant; property of isoquants ;right-angled(L-shaped) and linear(straight line) isoquants; concept of isocost curve (meaning, equation, slope); producer's equilibrium ,condition for optimum employment of one, two and many inputs/factors of production; Production in the long run: Concepts of returns to scale with possible causes of each

Unit 5: Costs and Revenue (5 Hrs.)

Concept of economic cost as a sum of explicit and implicit costs; concept of short run total costs (fixed and variable) and unit costs (average fixed, average variable, average total, and marginal) and their curves; relation between average variable, average total and marginal costs; costs in the long run: average and marginal costs; causes of U-shaped and L-shaped long run average cost curves

Concepts of total, average and marginal revenues and their curves in the perfect competition and imperfect competition markets

Unit 6: Market Structure (8 Hrs.)

Perfect competition: characteristics, and price and output determination in the short and long run using the total and marginal approaches; Monopoly market: Characteristics, sources of monopoly, and price and output determination in the short and long run using the total and marginal approaches; Monopolistic competition: Features and price –output determination using total and marginal approaches; Oligopoly market: Basic features/characteristics; centralised cartel

Unit 7: National Product and its Measurement (4 Hrs.)

Concept of macroeconomics and its scope; Concepts of gross domestic product (GDP), gross national income (GNI), net national product (NNP),national income(NI), personal income(PI),disposable personal income(DPI); measurement of national income and output by expenditure, income (cost of production) and value added approaches.

Unit 8: Macroeconomic Policies (2 Hrs.)

Concept of expansionary and contractionary fiscal and monetary policies; tools of fiscal and monetary policies

Text / Reference Books:

1. Lipsey, R.G., &Chrystal, K.A. (2008). *Economics*, 11th ed., (Indian Edition).New Delhi: Oxford University Press.
2. Samuelson, P.A. & Nordhaus, W.D. (2005). *Economics*, 18thed. New Delhi: Tata McGraw-Hill Publishing Company Ltd.