



Birla Institute of Technology & Science, Pilani

Hyderabad Campus

FIRST SEMESTER 2021-22

Course Handout Part II

Dated: 20/08/2021

In addition to part I (General Handout for all courses appended to the time table) this portion gives further specific details regarding the course.

Course No. : **ECON F211**

Course Title : **PRINCIPLES OF ECONOMICS**

Instructor-in-Charge : **Dr. Mini Thomas P**

Instructors : **Dr. Mini Thomas, Dr. Archana Srivastava, Dr. Sudatta Banerjee, Dr. Rishi Kumar, Dr. Bheemeshwar Reddy, Ms. Ummuhabeeba Chaliyan and Mr. Athary Janiso**

1. Scope and Objective:

This introductory course aims to cover fundamentals and principles of economics. Economics, as a discipline, has grown tremendously in recent times. Going by its relevance in understanding present day phenomena to complex policy issues, it would be apt to say that every individual should be equipped with basic understanding of economics. It helps greatly in making better decisions in every walk of life. Here we try to understand the consumption decisions made by the individuals and production decisions made by the firms. How do these decisions interact and result in a market outcome? How can the policymakers intervene to improve the outcome? The course aims to provide an insight into production, distribution and consumption of wealth, analysis of market structure, input pricing and economics of development. The course is designed so as to give emphasis on the application of various fundamental concepts of economics with the help of real life examples.

2. Text Book:

- ☐ Karl E. Case, Ray C. Fair & Sharon M. Oster, “Principles of Economics”, Pearson Education, 12th Edition, 2017

3. Reference Books:

- ☐ R1: Lipsey, R. G. & K. A. Chrystal, “Economics”, Oxford University Press, 11th Edition, 2007
- ☐ R2: Samuelson P. A. & Nordhaus W. D., “Economics”, Tata McGraw-Hill, 18th Edition, 2007
- ☐ R3: N. Gregory Mankiw, “Principles of Economics”, Cengage Learning, 6th Edition, 2012

4. Course Plan:

| Lec. No. | Learning Objective | Topic(s) to be covered | Chapter in the TB |
|------------|--|--|------------------------------|
| I | Introduction to Economics | | |
| 1-2 | Why study Economics | The Scope and method of Economics | Chapter 1 |
| 3-5 | Understanding the problem of scarcity and choice and the concepts of comparative advantage along with various economic systems | The Economic Problem: Scarcity & Choice | Chapter 2 |
| 6-8 | Elements of market Economy | Demand, Supply and Market Equilibrium | Chapter 3 |
| 9-10 | Applications of Demand & Supply | Price Mechanism and Rationing | Chapter 4 |
| 11-12 | Elasticity Concepts | Demand Elasticity, Income Elasticity | Chapter 5 |
| II | The Market System | | |
| 13-17 | Marginal Utility & Indifference Theory | Household Behavior and Consumer Choice | Chapter 6 |
| 18-20 | Analysis of Production | The Production Process: The behavior of profit maximizing firms | Chapter 7 |
| 21-27 | Cost Analysis | Cost Structure of Firms and output decision | Chapter 8 & 9 |
| 28-33 | Input pricing: Land, Labor, Capital and Investment | Input demand: The labour and land market, the Capital Market and the Investment Decision | Chapter 10 & 11 |
| III | Market imperfections and the role of government | | |
| 34-36 | Monopoly | Monopoly, Different Forms of Competitive Structures | Chapter 13 & 15 (only table) |
| 37-40 | Externalities and Economics of Public Goods | Externalities, Public Goods | Chapter 16 |

5. Learning Outcomes:

Module I: Introduction to Economics

It is expected that after completing this module, the student should be able to, recognize economics as the study of how society addresses the conflict between unlimited desires and scarce resources, describe ways in which society decides what, how and for whom to produce, identify the opportunity cost of a decision or action, explain the difference between positive and normative economics, define microeconomics and macroeconomics

and various sub-fields of economics, explain why theories deliberately simplify reality, explain the difference between real and nominal variables, build a simple theoretical model, use 'other things equal' to ignore, but not forget, some aspects of a problem in order to focus on core issues, define the concept of a market, draw demand and supply curves (and inverse demand and supply curves), find equilibrium price and equilibrium quantity, describe how price adjustment reconciles demand and supply in a market, analyze what shifts demand and supply curves, describe consumer and producer surplus, analyze excess supply and excess demand, discuss the consequences of imposing price controls, discuss how markets answer what, how and for whom to produce, describe the functions of prices (to ration, to allocate), describe how elasticities measure the responsiveness of demand and supply, define and calculate price elasticity of demand, indicate the determinants of price elasticity, describe the relationship between demand elasticity and revenue, recognize the various fallacies in economics, describe how cross-price elasticity relates to complements and substitutes, define and calculate income elasticity of demand, use income elasticity to identify inferior, normal and luxury goods, define and calculate elasticity of supply.

Module II: The Market System

It is expected that after completing this module, the student should be able to define the relationship between utility and tastes for a consumer, describe the concept of diminishing marginal utility, describe the concept of diminishing marginal rate of substitution and calculate the marginal rate of substitution (MRS), represent tastes as indifference curves, derive a budget line, explain how indifference curves and budget constraints explain consumer choice, describe how changes in consumer income affect quantity demanded, describe how a price change affects quantity demanded, define income and substitution effects, show how the market demand curve relates to the demand curves of individual consumers, Sketch, and explain the shape of production function and cost curves, Distinguish between and calculate various concepts of profit, State and explain the profit maximizing rule and identify profit maximizing behavior graphically and using data, Use graphs to explain the effect of market level changes on firm level behavior, Understand and analyze different type of markets that a firm may face.

Module III: Market imperfections and the role of government

It is expected that after completing this module, the student should be able to understand and analyze the effect the type of market has on efficiency, Define and give examples of price discrimination, and use graphs/data to show its effect on profit and efficiency, Understand and analyze the effects of market imperfection on efficiency and consumers, Understand the nuances of income distribution and welfare of the society.

6. Evaluation Scheme:

| S.No. | Components | Duration | Weightage (%) | Date, Time & Venue | Nature of Component |
|-------|---|-----------------|---------------|---------------------------|---------------------|
| 1 | Mid-Semester Exam | 90 Mins | 30 | 21/10/2021 9.00 - 10.30AM | OB |
| 2 | 3 Quizzes [Total 4 quizzes will be held, top 3 scores will be included for evaluation] | To be announced | 30 | TBA | OB |
| 5 | Comprehensive Exam | 120 Mins | 40 | 18/12 AN | CB |

7. Chamber Consultation Hour: To be announced in class

8. Notices shall be displayed on CMS.

9. Make-up policy: Make-up will be granted only on genuine grounds and if prior permission from Instructor-in-charge/Instructor is taken, via official email only. Requests for make up after the test/exam will not be entertained at all. No make-up shall be granted for quizzes.

10. Academic Honesty and Integrity Policy: Academic honesty and integrity are to be maintained by all the students throughout the semester and no type of academic dishonesty is acceptable.

**Instructor-in-Charge
ECON F211**