



Birla Institute of Technology & Science, Pilani
Hyderabad Campus

FIRST SEMESTER 2023-24

Course Handout Part II

Dated: 11/08/2023

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	: Prof. Sudatta Banerjee
Instructors	: Prof. Archana Srivastava, Prof. Rishi Kumar, Prof. Mini Thomas

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 E. Oster, “Principles of Economics”, Pearson Education, 12th Edition, 2017

3. Reference Books:

- R1: Lipsey, R. G. & K. A. Chrystal, “Economics”, Oxford University Press, 13th Edition, 2015
- R2: Samuelson P. A. & W. D. Nordhaus, “Economics”, Tata McGraw-Hill, 20th Edition, 2019
- R3: N. Gregory Mankiw, “Principles of Economics”, Cengage Learning, 7th Edition, 2015

4. Course Plan:

Lec. No.	Learning Objective	Topic(s) to be covered	Chapter in the TB
I	Introduction to Economics		
1-3	Why study Economics, Understanding the problem of scarcity and choice and the concepts of comparative advantage	The Scope and method of Economics, The Economic Problem: Scarcity & Choice – Definitions	Chapter 1 & 2
4-6	Elements of market Economy	Demand, Supply and Market Equilibrium	Chapter 3
7-8	Applications of Demand & Supply	Price Mechanism and Rationing	Chapter 4
9-10	Elasticity Concepts	Demand Elasticity, Income Elasticity	Chapter 5
II	The Market System		
11-14	Marginal Utility	Household Behavior and Consumer Choice	Chapter 6
15-18	Analysis of Production	The Production Process: The behavior of profit maximizing firms	Chapter 7
19-24	Cost Analysis	Cost Structure of Firms and output decision	Chapter 8 & 9
25-30	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		
31-34	Monopoly	Monopoly, Different Forms of Competitive Structures	Chapter 13 & 15 (only table)
35-37	Externalities and Economics of Public Goods	Externalities- details, Definition of Public Goods, and common resources	Chapter 16
IV	Macroeconomics		
38-40	Introduction to Macroeconomics	Concepts and Measurement of macroeconomic variables	Class Notes

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. The students will also learn about externalities, social costs of negative externalities, government involvement to rectify the same; learn definitions of public goods and common resources.

Module IV: Macro Economics

This module will discuss the primary concerns of Macroeconomics and understand the interaction between the four components of the macroeconomy.

6. Evaluation Scheme:

S.No.	Components	Duration	Weightage (%)	Date, Time & Venue	Nature of Component
1	Mid-Semester Exam	90 Mins	30	12/10 - 9.30 - 11.00AM	OB
2	Section specific multiple surprise quizzes	To be announced	30	TBA	CB
5	Comprehensive Exam	3 hours	40	14/12 FN	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**