

**Course ID: HS 1340**  
**Title of the Course: PRINCIPLES OF ECONOMICS**  
**L-T-P: 3-0-0 Credit: 3**

**Pre-requisites: None**

**Unit I Basic Concepts of Economics**

- i) Scope and Method of Economics: What is Economics, Why study Economics, Scope and Fields of Economics, The methods of Economics, The Economic Policy.
- ii) Demand, Supply and Market Equilibrium: Firms and Household; input markets and output markets: The Circular Flow; Demand and supply, individual and market demand and supply and their determinants, Market Equilibrium, Price Elasticity and its determinants.
- iii) Household Behaviour and Consumer Choice: The consumption decisions – Choices made by Households; budget constraints, Basis of Choice: Utility; Diminishing MU, allocating income to maximise utility, income and substitution effects, Consumer AND Producer Surplus.

**Unit II Firm Behaviour and Market:**

- i) Production: Production, Behaviour of profit maximizing firms, Production Functions with one variable factor of production, TP, MP, AP, Production Functions with Two variables factor of production, Isoquant and Iso-cost lines, Cost minimizing equilibrium Condition
- ii) Cost and Revenue Functions: Accounting and Economic costs, Costs in the short run, Fixed costs, variable costs, Marginal costs, Long run AC and MC, TR,MR,AR.
- iii) Markets, Perfect and Imperfect, Features of Perfect Competition, Monopoly, Oligopoly and Monopolistic Competition

**Unit III Input Markets:**

Input Markets: Labour, Land and Capital Markets (Basic concepts), Demand for inputs, Diminishing Returns, Marginal Revenue Product, Input demand curve; Labour Market and demand for labour; shifts in input demand curves; Land markets and rent, Capital Market, Capital Income-Interest and profit

**Unit IV Introduction to Macroeconomics**

The roots of macroeconomics, Difference between micro and macro economics, macroeconomic concerns, the role of government in the macro economy, the components of the macro economy, the methodology of macroeconomics. Introduction to National Income Accounting: Concepts of GDP, GNP and national income, approaches to calculating GDP,

personal income, Nominal and real GDP, Limitations of the GDP concept, GDP and the black economy.

#### **Unit V Money in the Modern Economy:**

Characteristics of a monetary economy; The demand for money; The supply of money and overall liquidity position; credit creation. Inflation: The causes of inflation, level of prices and the value of money, the Fisher effect, the cost of inflation.

#### **Unit VI The International Economy:**

Trade surpluses and deficits, the economic basis for trade—absolute advantage and comparative advantage, terms of trade, exchange rates; Trade Barriers--tariffs, subsidies and quotas; The cases for free trade or protection; Balance of Payments--The current and capital account.

#### **Course Co-ordinator: Dr. Narayan Sethi**

**Course Outcomes:** On successful completion of the course, students will be able to:

- Describe and explain how microeconomic models can be used to consider fundamental economic choices of households and firms.
- Describe and explain how macroeconomic models can be used to analyse the economy as a whole.
- Interpret and use economic models, diagrams and tables and use them to analyse economic situations

#### **Essential Readings:**

- Case Karl E. and Fair Ray C. Principles of Economics, Pearson Education Asia, 2014.

#### **Suggested Readings:**

- Mankiw N. Gregory. Principles of Economics, Thomson, 2013.
- Stiglitz J.E. and Walsh C.E. Principles of Economics, W.W. Norton & Co, New York, 2011.