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Course Code: SH

Semester: II

FUNDAMENTALS OF ECONOMICS

Course Objectives:

This course will help the learner to understand how markets and other governance structures organize and regulate the economic activities resulting in production, consumption, distribution and exchange and also about the determinants of macroeconomic conditions prevalent in the economy and thereby familiarizing themselves in the process with major economic theories of relevance.

UNIT - I

8

Periods

Introduction to Microeconomics: Principles of Demand and Supply - Supply Curves of Firms - Elasticity of Supply - Demand Curves of Households - Elasticity of Demand - Equilibrium and Comparative Statics (Shift of a Curve and Movement along the Curve) - Welfare Analysis - Consumers' and Producers' Surplus - Price Ceilings and Price Floors - Consumer Behaviour - Axioms of Choice - Budget Constraints and Indifference Curves - Consumer's Equilibrium - Effects of a Price Change, Income and Substitution Effects - Derivation of a Demand Curve - Applications - Tax and Subsidies - Inter temporal Consumption - Suppliers' Income Effect

UNIT - II

7

Periods

Introduction to Production, Costs and Market structures: Theory of Production - Production Function and Iso-quants - Cost Minimization - Cost Curves - Total, Average and Marginal Costs - Long Run and Short Run Costs - Equilibrium of a Firm under Perfect Competition - Monopoly and Monopolistic Competition

UNIT - III

7

Periods

Introduction to Macroeconomics: National Income and its Components - GNP, NNP, GDP, NDP; Consumption Function; Investment; Simple Keynesian Model of Income Determination and the Keynesian Multiplier; Government Sector - Taxes and Subsidies; External Sector - Exports and Imports

UNIT - IV

8

Periods

Introduction to Money: Money - Definitions; Demand for Money - Transaction and Speculative Demand; Supply of Money - Bank's Credit Creation Multiplier; Integrating Money and Commodity Markets - IS, LM Model; Business Cycles and Stabilization - Monetary and Fiscal Policy - Central Bank and the Government; The Classical Paradigm - Price and Wage Rigidities - Voluntary and Involuntary Unemployment

TEXTBOOKS

1. Pindyck, Robert S., and Daniel L. Rubinfeld, *Microeconomics*, Eighth Edition, Pearson Education, 2013.
2. Dornbusch, Fischer and Startz, *Macroeconomics*, Tenth Edition, McGraw Hill, 2012.
3. Paul Anthony Samuelson, William D. Nordhaus, *Economics*, Nineteenth Edition, McGraw Hill, 2009

REFERENCES

1. Varian, Hal R. *Intermediate Microeconomics: A Modern Approach*, Ninth International Student Edition, WW Norton & Company, 2014.
2. Mankiw, N. Gregory. *Principles of Macroeconomics (Mankiw's Principles of Economics)*, 2011.

UNITWISE LEARNING OUTCOMES

Upon successful completion of each unit, the learner will be able to

Unit I	<ul style="list-style-type: none">• Relate the economic concepts such as demand, supply, pricing etc to the theories and the behaviour of the firm, industry and government
Unit II	<ul style="list-style-type: none">• Infer the functioning of various market structures
Unit III	<ul style="list-style-type: none">• Identify the determinants of flow of money in the economy
Unit IV	<ul style="list-style-type: none">• Understand the creation of credit in the economy

COURSE LEARNING OUTCOMES

Upon successful completion of this course, the learner will be able to

- Explain the optimization techniques followed by a firm/industry
- Examine the cost structure of the firm
- Evaluate the linkages between financial markets and the real economy
- Discuss the impact of monetary and fiscal policies in the regulation of credit

The skills developed through the course Economics will help students to analyse micro and macro environment and take appropriate strategic decisions. The Economics theories are used to take decisions related to uncertain and changing business environment.

<https://jamboard.google.com/d/1em9ZqSGtW3RI51xP6kQnI4iFubL-uyfA0tQrLI208JY/edit?usp=sharing> – 01.07.2021

https://jamboard.google.com/d/183C4MvYmsJ_VbkcP-ToxD3tD-dpSbKyazU2VOJSGfOM/edit?usp=sharing – 30.06.2021