

**Semester VI**

SUBJECT CODE	SUBJECT TITLE	CORE/ELECTIVE	CREDITS			
			L	T	P	C
ECO 121 HS	Principles of Economics	Elective	3	0	0	3

**Course Objectives:**

This course will provide you with a basic understanding of the principles of microeconomics. At its core, the study of economics deals with the choices and decisions we make to manage the scarce resources available to us. Microeconomics is the branch of economics that pertains to decisions made at the individual level, such as the choices individual consumers and companies make after evaluating resources, costs, and tradeoffs

**Course Outcomes:**

At the end of the course, student will be able to

- 1 Analyse relevant economic concepts and economic models which inform the study of microeconomics.
- 2 Apply the principles of microeconomics associated with supply and demand in determining market equilibrium and the effects of price controls and elasticity.
- 3 Apply the principles of microeconomics associated with production and consumption in determining the behavior of individuals and producers in successful markets and situations where markets fail or contribute to income inequality.
- 4 Analyze market structures and apply theoretical concepts of perfect competition to identify the behavior of monopolies and imperfect competition.
- 5 Analyze resource markets to understand the decision-making of resource allocation and interrelationships among key markets in the economy

**UNIT I**

**Introduction**

(7 hours)

Nature and scope of Economics, Principles of Economics, Production Possibility Frontier, opportunity Costs, Comparative Advantage and Scope for Trade.

Demand and Supply curves, Equilibrium, Shift in curve versus movement along the curve, Elasticity of Demand and Supply. Changes in equilibrium in response to policy changes, income, tastes and supply “shocks”

**UNIT II**

**Consumer Behavior**

(6 hours)

Consumer preferences and Indifference curve analysis – substitution, income and price effect.

**UNIT III**

**Production and cost**

(8 hours)

Production, short- run production function and returns to factor – Average-marginal relationship, long – run production function and laws of return to scale- role of technology.

Cost function and cost structure of a firm in the short- run, long run cost function and cost structure.

#### **UNIT IV**

Types of markets

(7 hours)

Perfect competition including shut-down and break-even points. Monopoly. Monopolistic competition and product differentiation.

#### **UNIT V**

Equilibrium in the short, medium and long run

(10 hours )

Short-run equilibrium: The Goods market, the money market and General equilibrium (IS-LM)

Medium-run equilibrium: The labour market General Equilibrium (AD-AS) Long-run

equilibrium: Introduction to growth, capital accumulation and growth, technological progress and growth.

#### **Unit VI**

The open economy (International trade)

(7 hours)

Openness in goods and financial markets, the goods market, the financial markets and General equilibrium. Exchange rate regime

#### **Books of study:**

1. Principles of microeconomics, N. Gregory Mankiw, Publisher: Cengage Learning 5th edition.
2. Macroeconomics, Oliver Blanchard and David R Johnson, Publisher: Pearson; 6<sup>th</sup> edition.

#### **Books of reference:**

1. Intermediate Microeconomics: A Modern Approach, Hal R. Varian, Affiliated East-West Press Pvt. Ltd., 8th edition.
2. Principles of Macroeconomics with CourseMate, N. Gregory Mankiw, Cengage India, 6th edition.