

## Semester- I

**Course Name:** Introduction to Economic Theory

**Course Code:** BSCECOMJ101

Course Type: <b>Major (Theory)</b>	Course Details: MJC-1		L-T-P: 4-1-0		
Credit: 5	Full Marks: 100	CA Marks		ESE Marks	
		Practical	Theoretical	Practical	Theoretical
			<b>30</b>		<b>70</b>

### **Group A: Course Learning Outcomes**

*(After the completion of the course the students will be able to)*

- 1. To compare Economic and Non-Economic activities, microeconomics and macroeconomics, Economic issues and problems. To illustrate demand supply framework with determinants and shifts.*
- 2. To analyse different theories of demand.*
- 3. To examine neo classical theories of production and cost.*

### **Group B: Course Learning Outcomes**

*(After the completion of the course the students will be able to)*

- 1. To identify macroeconomic issues and relate different macroeconomic accounting methods.*
- 2. To explain and analyse the classical system.*
- 3. To compare the classical system with the simple Keynesian system.*

**Content/ Syllabus: Unit wise course content distribution**

## **Group A: Microeconomic Theory**

### **Unit -1. Introduction to Economic Theory**

Economic and Non-Economic activities, Basic Economic Issues and Problems, Distinction between Microeconomics and Macroeconomics, Concept of Equilibrium.

Concept of Demand. Demand Law and Demand Curve. Exceptions to the law of Demand. Concept of Supply Curve.

The market mechanism. Changes in market equilibrium.

Elasticities of demand – price, income and cross elasticities – relation between price elasticity of demand, price and marginal revenue – relation between price elasticity and total expenditure.

### **Unit-2. Theory of Demand**

Utility: Concept and Measurement Issues. Cardinal and Ordinal Utility.

The Marshallian Approach: Equilibrium of the consumer – Derivation of demand curve. Concept of consumer's surplus.

Indifference curve approach: indifference curve and its properties,

The pathological cases, the equilibrium of the consumer – Price consumption curve and income consumption curve – Price effect – Income effect – Substitution effect – Slutsky's equation – Derivation of demand curve. Giffen's Paradox. Bandwagon effect – Snob effect – Veblen effect.

Relationship between Compensated demand curve and ordinary demand curve.

### **Unit -3. Theory of Production and Cost.**

- Production function: the neo-classical production function – relation between total, average and marginal productivities – law of variable proportions – the fixed coefficient production function and variable coefficient production function.

- Iso-quant and Iso-cost line, definition and properties, economic region of production, marginal rate of technical substitution, elasticity of substitution, equilibrium of the producer - constrained output maximization and constrained cost minimization, expansion path, returns to scale.

- Cost function: different concepts of costs, short run cost analysis and long run cost analysis – relation between the expansion path and cost function – total, average and marginal cost curves – long run cost curves as envelope of short run cost curves.

## **Group B: Macroeconomic Theory**

### **Unit -1. Basic Macroeconomic Issues and Accounts**

- Scope and nature of Macro Economics with emphasis on macroeconomic problems and policies – Targets & Instruments of macroeconomic policies. Closed economy and open economy.
- Definition, Concepts and Measurement of GNP, NNP, GDP, NDP, NI, DI – The flow of product method and the flow of expenditure method; Concept of GNP deflator.
- Interrelation between measures of National Income in the absence and presence of Governmental sector and International Transactions
- The Accounting Identity of Saving and Investment
- Scope of using National Income as a measure of Economic Welfare.

### **Unit -2. The Classical System**

- The Classical view of Macro Economics in respect of the determination of Employment, Output and Prices.
- The classical quantity theory of money and its criticism; The Classical Theory of Rate of Interest - Loanable fund theory.
- Say's Law and Walras' law - The Dichotomy between the real and monetary sectors  
Neutrality of money.

### **Unit -3 The Simple Keynesian Model of Income Determination**

- Keynesian Consumption Function and its properties – Factors affecting Consumption Expenditure – Saving Function & its properties
- Determination of National Income – nature of equilibrium – unemployment, full employment and inflation – stability of equilibrium
- Comparative static analysis – the Multiplier analysis with and without government sector – Investment Multiplier, Government Expenditure Multiplier, Balanced Budget Multiplier; Limitations of the multiplier analysis. The Paradox of Thrift.

### ***Group A: References/ Suggested Readings***

1. Ryan, William James Loudon, and David William Pearce. "Price theory." (1977). Macmillan India Limited.
2. Richard G. Lipsey: An Introduction to Positive Economics (6<sup>th</sup> Edition). ELBS.
3. A Koutsoyianiss: Modern Microeconomics, 2nd Edition, Macmillan Press Ltd. Hound mills/ Palgrave Macmillan (India).
4. Gould and Lazear: Microeconomic Theory (6<sup>th</sup> Edition), AITBS, New Delhi.
5. H.L Ahuja: Advance Economic Theory-Microeconomics Analysis, 21st Edition, S Chand & Co Ltd.
6. R. S. Pin Dyck and D. N. Rubinfeld: Microeconomics, 8th Edition, Pearson India.
7. Henderson and Quandt: Microeconomic theory: A mathematical approach, Tata McGraw-Hill.
8. Anindya Sen: Microeconomics (Second Edition). Oxford University Press.
9. Satya R. Chakravarty: Microeconomics, 1ST Edition, Allied Publishers Ltd.
10. Hal R. Varian: Intermediate Microeconomics: A Modern Approach, 8th edition, W.W. Norton and Company/Affiliated East-West Press (India).
11. C. Snyder and W. Nicholson, Microeconomic Theory: Basic Principles and Extensions, 12th Edition, Cengage Learning (India).

### ***Group B: References/ Suggested Readings***

1. Soumyen Sikdar: Principles of Macroeconomics, OUP.
2. Dornbusch, Fischer and Startz: Macroeconomics, 12th Edition. McGraw Hill Education India.
3. William H. Branson: Macroeconomic Theory and Policy, 2<sup>nd</sup> Edition, Universal Book Stall, New Delhi.
4. G, Ackley: Macroeconomic Theory. The MacMillian Company.
5. N. Gregory Mankiw and Mark P. Taylor: Macroeconomics, 4th Edition, Cengage Learning (India).
6. Richard T. Froyen: Macroeconomics Theories and Policies, 12th Edition, Pearson Education India.
7. Abel, Bernanke and Croushore: Macroeconomics, 8th Edition, Pearson.
8. Olivier Blanchard: Macroeconomics, 7th Edition, Pearson Education India.
9. R. Jha – Macroeconomics for Developing Countries (2<sup>nd</sup> edition), Routledge.
10. L, Harris: Monetary Theory: McGraw-Hill
11. Errol D'Souza: Macroeconomics, Pearson Education