

Core-I

SEMESTER I Basic Economics I

1.

Course Description

This course is designed to expose the students to the basic principles of how the economy works at the microeconomic level with some basic concepts like markets, and consumer choice. in macroeconomics. The emphasis will be on thinking like an economist and the course will illustrate how microeconomic concepts can be applied to analyze real-life situations. This course also discusses the preliminary macroeconomic concepts associated with the determination and measurement of aggregate macroeconomic variables like savings, investment, and GDP.

Course Outcomes (COs)

1. To expose the students to the introductory micro and macro-economic concepts.
2. To explain how to think like an economist and illustrate how microeconomic concepts can be applied to analyses of real-life situations.
3. To introduce preliminary macroeconomic concepts associated with the determination and measurement of aggregate macroeconomic variables like savings, investment, and GDP.
4. To examine the circular flow of income and expenditure in a 2, 3, and 4-sector economy.

Unit I: Exploring the Subject Matter of Economics, Markets and Welfare

The Ten Principles of Economics: How people make decisions; Working of the economy as a whole; Thinking Like an Economist: The Economist as Scientist – The scientific method: Observation, Theory and more observation; Role of Assumptions; Economic Models; Why economists disagree; Graphs in Economics; The Market Forces; Markets and Competition; The Demand and Supply curves – Market vs Individual curves, Shifts in Demand and Supply Curves; Market Equilibrium and changes therein; Price Elasticity of Demand – determinants and computation; Income and Cross Elasticity of Demand; The Price Elasticity of Supply – determinants and computation; Consumer and Producer Surplus.

LO: Upon completion of this module, students will get a basic idea about the basic underlying principles followed in economics and get a formative perspective to concepts of elasticity of demand and supply.

Unit II: Theory of Consumer Choice

The Budget Constraint; Preferences – representing preferences with indifference curves; Properties of Indifference Curves; Two extreme examples of indifference curves; Optimization – Equilibrium; Change in equilibrium due to changes in income, changes in price; Income and Substitution Effect; Derivation of Demand Curve; Three applications – Demand for Giffen goods, Wages and Labour Supply, Interest rate and Household saving.

LO: Upon completion of this module, the students can understand the problem of choice and decision-making by consumers and have a vivid understanding of optimization and equilibrium.

Unit III: Basic Concepts in Macroeconomics

Macro vs. Micro Economics; Limitations of Macroeconomics; Stock and Flow variables, Equilibrium and Disequilibrium, Partial, and General Equilibrium Statics – Comparative Statics and Dynamics; National Income Concepts – GDP, GNP, NDP, and NNP at market price, factor cost, real and nominal; Disposable Personal Income.

LO: Upon completion of this module, the students will be introduced to concepts of macroeconomic variables and the basic concept of National Income Accounting.

Unit IV: Measurement of Macroeconomic Variables

Output, Income and Expenditure Approaches; Difficulties of Estimating National Income; National Income Identities in a simple 2-sector economy and with government and foreign trade sectors; Circular Flows of Income in 2, 3 and 4-sector economies; National Income and Economic Welfare; Green Accounting.

LO: Upon completion of this module, the students will be familiarized with the estimation of National Income and understand the circular flow of income and expenditures in a closed and open economy.

Text Book:

- ✓ *Gregory N Mankiw: Principles of Economics, 6th Edition, Cengage Learning India Private Limited, New Delhi*
- ✓ *Gregory N. Mankiw (2010): Macroeconomics, 7th edition, Cengage Learning India Private Limited, New Delhi*
- ✓ *Government of India (2012): National Accounts Statistics Sources and Methods, CSO, MOSPI*

Reference Book:

- ✓ *Karl E. Case and Ray C. Fair (2007): Principles of Economics, 8th Edition, Pearson Education Inc.*
- ✓ *Richard T. Froyen (2005): Macroeconomics, 2nd Edition, Pearson Education Asia, New Delhi.*