

# **Introductory Microeconomics (BCOM GE 1)**

Generic Elective (GE) Credit: 6

## **Course Objective**

This course is designed to expose the students to the basic principles of microeconomic theory. 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.

## **Course Learning Outcomes**

The course introduces the students to the first course in Economics from the perspective of individual decision making as consumers and producers. The students learn some basic principles of microeconomics, interactions of supply and demand and characteristics of perfect and imperfect markets.

### **Unit 1**

**Introduction:** What is microeconomics? Scope and method of economics; the economic problem: scarcity and choice; the concept of opportunity cost; the question of what to produce, how to produce and how to distribute output; science of economics; Institutions for allocating resources; the basic competitive model; prices, property rights and profits; incentives and information; rationing; positive versus normative analysis. The Scientific method; the role of assumptions; models and mathematics; why economists sometimes disagree. Interdependence and gains from trade; specialisation and trade; absolute advantage; comparative advantage and trade

### **Unit 2**

**Supply and demand:** Markets and welfare Markets and competition; determinants of individual demand/supply; demand/supply schedule and demand/supply curve; market versus individual demand/supply; shifts in the demand/supply curve, demand and supply together; how prices allocate resources; elasticity and its application; controls on prices; taxes and the costs of taxation; consumer surplus; producer surplus and the efficiency of the markets. Application to international trade; comparison of equilibria with and without trade, the winners and losers from trade; effects of tariffs and quotas; benefits of international trade; some arguments for restricting trade

### **Unit 3**

**The households** The consumption decision - budget constraint, consumption and income/price changes, demand for all other goods and price changes; description of preferences (representing preferences with indifference curves); properties of indifference curves; consumer's optimum

choice; income and substitution effects; labour supply and savings decision - choice between leisure and consumption

#### **Unit 4**

**The Firm and Perfect Market Structure** Behaviour of profit maximizing firms and the production process; short run costs and output decisions; costs and output in the long run

#### **Unit 5**

**Imperfect Market Structure** Monopoly and anti-trust policy; government policies towards competition; imperfect competition

#### **Unit 6**

**Input Markets** Labour and land markets - basic concepts (derived demand, productivity of an input, marginal productivity of labour, marginal revenue product); demand for labour; input demand curves; shifts in input demand curves; competitive labour markets; and labour markets and public policy

#### **References**

1. Bernheim, B., Whinston, M. (2009). Microeconomics. Tata McGraw-Hill.
2. Mankiw, N. (2007). Economics: Principles and applications, 4th ed. Cengage Learning.

#### **Teaching Learning Process**

Lectures and tutorials

#### **Assessment Methods**

Internal assessment and final examination as per CBCS rules

#### **Keywords**

Supply, demand, elasticity, consumer behaviour, firm behaviour, perfect and imperfect markets

## **Introductory Macroeconomics (BCOM GE 2)**

Generic Elective (GE) Credit: 6

### **Course Objective**

This course aims to introduce the students to the basic concepts of Macroeconomics. Macroeconomics deals with the aggregate economy. This course discusses the preliminary concepts associated with the determination and measurement of aggregate macroeconomic variable like GDP, savings, investment, money, inflation, and the balance of payments. It also introduces students to simple analytical frameworks (e.g., the IS-LM model) for determination of equilibrium output.

### **Course Learning Outcomes**

This course will allow students to understand the basic functioning of the macroeconomy.

#### **Unit 1**

**Introduction to macroeconomics and national income accounting** Basic issues studied in macroeconomics; measurement of gross domestic product; income, expenditure and the circular flow; real versus nominal GDP; price indices; national income accounting for an open economy; balance of payments: current and capital accounts

#### **Unit 2**

**Money** Functions of money; quantity theory of money; determination of money supply and demand; credit creation; tools of monetary policy

#### **Unit 3**

**Inflation** Inflation and its social costs; hyperinflation

#### **Unit 4**

**The closed economy in the short run** Classical and Keynesian systems; simple Keynesian model of income determination; IS-LM model; fiscal and monetary multipliers

### **References**

1. Abel, A., Bernanke, B. (2016). Macroeconomics, 9th ed. Pearson Education.
2. Blanchard, O. (2018). Macroeconomics, 7th ed. Pearson Education.
3. Dornbusch, R., Fischer, S., Startz, R. (2018). Macroeconomics, 12th ed. McGraw-Hill.
4. Jones, C. (2016). Macroeconomics, 4th ed. W. W. Norton.

5. Mankiw, N. (2016). Macroeconomics, 9th ed. Worth Publishers.

**Teaching Learning Process**

Lectures and tutorials

**Assessment Methods**

Internal assessment and final examination as per CBCS rules

**Keywords**

GDP, BOP, money, inflation, classical model, Keynesian model