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| Course title: Principles of Economics | | | | |
| Course code: MPD 158 | | No. of credits: 4 | L-T-P: 46-14-00 | Learning hours: 60 |
| Pre-requisite course code and title (if any): NA | | | | |
| Department: Department of Policy and Management Studies | | | | |
| Course coordinator(s): Dr. Gopal Sarangi | | | Course instructor(s): Dr. Gopal Sarangi | |
| Contact details: gopal.sarangi@terisas.a.in | | | | |
| Course type: Core | | | Course offered in: Semester 1 | |
| Course description This introductory course primarily covers the core and fundamental aspects of microeconomics, macroeconomics, and public finance. The goal of this course is to make students understand the key economic concepts, theories, and principles and how they relate to the world they live in. The emphasis is laid on building students critical thinking and analytical abilities in microeconomics, macroeconomics and public finance. The central focus of this course is how and why markets (one important mechanism for allocating scarce resources) operate, and why markets and pricing principles are fundamental in trade-offs and choice questions. Besides, how the key economic decisions are made by households and firms are discussed and exemplified. Production, costs and market structures are analyzed at firm level. Key macro-economic issues such as output, income, and employment are discussed and their impact on inflation and other macroeconomic indicators are examined. Key concepts of public finance such as taxation and public expenditure and their applications in Indian context will also be elaborated. In each module, Indian context is highlighted so that students can connect theories to practice and to policies. Explanations of economic concepts are supplemented by application-based cases studies and live examples. | | | | |
| Course objectives- | | | | |
| <ul style="list-style-type: none"> - To familiarize students with the key economic principles and theories and relate it to the world they live in. - To develop students critical thinking and analytical abilities around concepts of economics - To provide understanding of how output and income are determined at an aggregated level and impact the (un)employment and inflation - To expose students how taxation and other policies can influence economic incentives of individuals, firms and other entities - To create grounds for students to hone skill sets of analyzing, interpreting economic variables through diagrams, and graphs | | | | |
| Course content | | | | |
| Module | Topic | L | T | P |
| I | Introduction to economics A brief history of ideas in economics Basic concepts of Economics Understanding the philosophy of economics Nature of economics: Is economics a science or an art? Scope, method and techniques of economics, Definitional pluralities and distinctions such as micro-versus macro, theories versus models, positive economics and normative economics The economic problem of scarcity, choice, and opportunity cost | 4 | 0 | 0 |
| II | Demand, Supply, Elasticities, and Market Efficiency Demand, supply, and market equilibrium. Derivation of Demand and supply curve Demand and supply applications | 6 | 2 | 0 |
| | Consumer surplus and producer's surplus Market efficiency and their applications Elasticity: its various forms and estimation methods, point, arc Elasticity and total revenue Elasticity applications in the filed of energy and environment | | | |

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| III | Utility, Preferences and Choice Budget constraints, determination of optimal choices using indifference curve analysis and its applications Extensions of Indifference curve analysis and revealed preference analysis Changes in income and prices, income and substitution effects Behavioural economics as an alternative framework for economic analysis Application of behavioural economic in energy efficiency context | 4 | 2 | |
| IV | Production and Cost Production Theory Production function and different forms Short-run and long-run production function, Isoquants, MRTS Total, average and marginal products Economies of scale and scope Theory of cost Short-run and long run costs, cost minimization Total, average and marginal costs Applications of production and costs theory | 6 | 2 | 0 |
| V | Market structure and regulation Market equilibrium and price determination under different market structures Perfect and Imperfect market structure, welfare costs of monopoly Market failure, externalities, role of government, efficiency, and regulation Regulation of public monopolies Application in case of infrastructure industries such as energy and water | 6 | 2 | 0 |
| VI | National Income Accounting Measuring national income, output and employment – different approaches Determination of aggregate output, price level and interest rate – classical, Keynesian and modern theories and approaches GDP estimation in India Critiques of traditional measures of NIA | 6 | 2 | 0 |
| VII | Macro-economic policies Policy effects: monetary and fiscal policy Indian monetary and fiscal policies: evidence from its evolving dynamics Open economy macro-economics: balance of payment, exchange rate, international trade, Indian case study | 6 | 2 | 0 |
| VIII | Public Finance Theories of Public Finance, Theories of taxation, , tax incidence and tax burden, public expenditure, subsidies, public expenditure and external debt structure in India, public sector reform agenda in India, Fiscal federalism in India Public finance case studies in India | 8 | 2 | |
| | Total | 46 | 14 | 0 |
| Evaluation criteria: Minor Test 1: 20% Minor Test 2: Assignment (individual): 20 % Classroom exercises: 10 % Major Exam: 50% | | | | |

Learning outcomes

By the end of the course, students would be able to;

- Understand the core micro , macroeconomic and public finance concepts, theories, models, principles, tools, and techniques (All tests)
- Develop the skills to interpret , analyze the economic concepts and variables through diagrams, tables and graphs (Minor test 1, Class-room exercises, and Major test)
- Relate the key economic principles to real life situations, especially in the context of development challenges which would help students to make informed decisions (Minor test 2)

Pedagogical approach

The course will be delivered through a mix of classroom lectures, quizzes, discussions, classroom exercises and assignments and case studies discussion and presentation.

Course Reading Materials**Suggested core readings:**

1. Principles of Economics, Karl Case, Ray Fair, and Sharon Oster, 12th Edition, Pearson Education Inc., 2017.
2. Principles of Economics, Mankiw, N. Gregory, 4th edition. South-Western College Publications, 2006.
3. Principles of Economics, Stiglitz, J.E. and C.E. Walsh, 3rd Edition. New York: W.W. Norton & Company, 2002.
4. Macro Economics, R. Dornbusch, S. Fischer, and R. Startz, 10th Edition, Tata-McGRAW-HILL, 2012.
5. Macroeconomics, Olivier Blanchard, 5th edition, Pearson Education Inc., 2009.
6. Public Finance in Theory and Practice, R. Musgrave and P. Musgrave, McGraw Hill Education, 5th Edition, 2017

Advanced Reading Material

1. Intermediate Micro-economics: A Modern Approach, H.L. Varian, 8th Edition, W.W. Norton & Company, 2010.
2. Fundamentals of Microeconomics, C. Snyder and W. Nicholson, 11th Edition, Cengage Learning (India), 2012.
3. Macro-Economics: Theory and Policy, W.H. Branson, Third Edition, East-West Press, 2005.
4. Macroeconomics, Richard T. Froyen, 2nd Edition, Pearson Education Asia, 2005

Additional readings

1. An Inquiry into the Nature and Causes of the Wealth of Nations, Adam Smith
2. Economics: A Very Short Introduction, Partha Dasgupta, First Edition, Oxford University Press, 2007
3. The Company of Strangers, Paul Seabright, Princeton University Press, 2010
4. Free to Choose, Milton Friedman and Rose Director Friedman, First Edition, Mariner Books, 1990
5. The Armchair Economist: Economics and Everyday Life, Steven E. Landsburg, The Free Press, New York, 2012

Additional information

Students should be sincere and regular in classes

Student responsibilities

Attendance: At-least 75% attendance will be necessary to be able to appear for the final exam

Course reviewers:

Prof. Saon Ray, Professor, ICRIER

Dr Seema Sangita, Associate Professor, Centre for Economic Studies and Planning, JNU
Dr Chandra Sekhar Bahinipati, Associate Professor, IIT Tirupati
Dr Santosh Das, Assistant Professor, ISID

The course outline is prepared by Dr Gopal K. Sarangi.

