Course title: Principles of Economics

Course code: UEO 101	**No. of credits:** 4	**L-T-P:** 48-12-0	**Learning hours:** 60
Pre-requisite course code and title (if any):			
Department: Department of Policy and Management Studies			
Course coordinator: Dr. Sukanya Das		**Course instructor:** Dr.Sukanya Das and Dr Shantanu De Roy	
Contact details: sukanya.das@terisas.ac.in			
Course type: Major		**Course offered in:** Semester 1	

Course description:

This is an introductory course of the Four-Year Undergraduate Programme in Economics. The course introduces the students in Economics who are yet to receive a formal training in the discipline. It focusses on certain basic concepts and foundational principles of Microeconomics and Macroeconomics. The course has nine modules with an Introduction that provides exposure to the students to basic features of the discipline of Economics. The initial part of the course mainly deals with the economic analysis of a representative firm and a representative household. In these modules, the economic dimensions of human life through the operations of the market, and nature of participation of its primary stakeholders in a market-based economy—households and firms—is brought into discussion. In the later part of the course, the modules introduce the students with key macroeconomic indicators that determine the levels of living in the society. It also brings into discussion the roles of the government in impacting the real-life and concerns of the society.

Course objectives:

- To introduce students to the discipline of Economics through the basic concepts and key economic principles in Economics.
- To provide the stepping-stone to the students that will enable them to think like an economist.
- To provide exposure to the students regarding the functioning of a market economy and the behaviour of firms and households in such an economy.
- To introduce students to real-life economic issues that society encounters and the role of the institutions—government and market—in addressing and resolving these concerns.

Course contents

Module	Topic	L	T	P
1	Introduction 1.1 What is Economics? • Trade-offs, Incentives, Exchange, Information and Distribution 1.2 The market economy • Economic interactions between the firms and households in the product, labour, and capital markets 1.3 The science of Economics • Basic discussions on theory, models, variables and distinction between correlation and causation 1.4 The core branches of Economics • Microeconomics and Macroeconomics 1.5 Some popular criticisms of Economics and economists • Disagreements among the economists, touch with reality, economic determinism in human behaviour	5		

2	**How Markets Function** 2.1 Theory of demand and theory of supply • Demand and supply curve • Law of supply and demand • Shifts versus movements along the demand and supply curves. • Sources of shifts in the demand and supply curves 2.2 Price formation in the market 2.3 Consumer and producer surplus 2.4 Market failures and externalities	7	2	
3	**Elasticity of Demand and Supply** 3.1 The elasticity of demand and the elasticity of supply • Different concepts of elasticity • Estimation • Determinants 3.2 Applications of supply, demand, and elasticity • Technological innovations • The time dimension: price formation in the world market for oil	4	2	
4	**Consumer Choice and Demand Decisions** 4.1 Utility and preferences • Marginal utility and the law of diminishing marginal utility 4.2 Budget constraint and indifference curve • Slope and determinants of the budget line • Marginal rate of substitution • Using indifference curves to determine choices and derive demand curve	5	3	
5	**Firm Behaviour and Supply Decisions** 5.1 A firm's accounts • Stocks and flows 5.2 What are costs? • Total costs, total revenue, and profit • Opportunity and accounting costs • Economic and accounting profits 5.3 The production process • Production functions: Total product, marginal product and average product • Production functions with two variable factors of production • Isoquants and isocosts 5.4 Cost concepts • Fixed and variable costs, average and marginal cost • Short and long-run average cost, economies, and diseconomies of scale 5.5 Firms in competitive markets • Profit maximization and supply curve in the short run and long run with entry and exit	8	3	
6	**Introduction to Macroeconomics** 6.1 Macroeconomic components • The circular flow • The three markets: goods and services market, labour market, and money market • Role of the government	6		

7	**Estimation of National Output and National Income** 7.1 What is GDP? 7.2 Estimating GDP • Income and expenditure approaches • Nominal and real GDP • GDP deflator 7.3 Limitations of the GDP to measure well-being 7.4 Estimation of GNP, NNP and differences between GDP and GNP	7	2	
8	**Core Macroeconomic Concerns** 8.1 Unemployment • Estimating unemployment • Components of the unemployment rate • Costs of unemployment 8.2 Inflation • Estimation • The costs of inflation 8.3 Economic growth • Basic concepts of growth as measures of welfare: output growth and productivity growth	6		
	Total (in hours)	48	12	

Evaluation criteria

1. Minor 1: Written test [after the completion of Modules 1, 2 and 3] – 30% [learning outcomes 1 and 2]
2. Economics quiz [after the completion of Module 4] – 15% [learning outcomes 1 and 2]
3. Assignment [after the completion of module 5] – 15% [learning outcomes 1 and 2]
4. Major exam: Written test [after the completion of the course; based on Modules 6, 7, 8 and 9] – 40 % [learning outcomes 3 and 4]

Learning outcomes

After the completion of the course, students will be able to:

1. Develop basic understanding about the discipline and the core components of a market economy. [Modules 1-3]
2. Develop basic understanding about the behaviour of a representative consumer and a representative firm in a market economy. [Modules 4 and 5]
3. Initial understanding about the key macroeconomic variables, estimation of these variables, role of the government in the economy and key macroeconomic concerns. [Modules 6, 7 and 8]

References

Textbooks

Begg, D., Vernasca, G., Fischer, S., and Dornbusch, R. (2014). *Economics (11th edition)*, McGraw Hill Education

Case, K. E, Fair, R. C. and Oster, S. E. (2017). Chapter 5 in *Principles of Economics (12th edition)*, Pearson.

Dornbusch, R. and Fischer, S. **(**2010**).** *Macroeconomics (6th edition)*. McGraw Hill India.

Kurien, C. T. (2012). *Wealth and Illfare: An Expedition Through Real Life Economics*, Books for Change Publishers.

Mankiw, N. G. (2018). *Principles of Microeconomics (8th edition)*, Cengage Learning Publishers.

Stiglitz, J. E. and Walsh, C. E. (2005). *Economics (4th edition)*, W. W. Norton and Company.

CORE reading materials (module-wise):

Module 1: Introduction
Stiglitz, J. E. and Walsh, C. E. (2005). Chapter 1 in *Economics (4th edition)*, W. W. Norton and Company.
Mankiw, N. G. (2018). Chapter 2 in *Principles of Microeconomics (8th edition)*, Cengage Learning Publishers.
Guha, A. S. (2016). Chapter 1 in *Economics Without Tears: A New Approach to an Old Discipline*, Penguin Books.

Module 2: How Markets Function?
Mankiw, N. G. (2018). Chapter 4 in *Principles of Microeconomics (8th edition)*, Cengage Learning Publishers.
Begg, D., Vernasca, G., Fischer, S., and Dornbusch, R. (2014). Chapter 3 in *Economics (11th edition)*, McGraw Hill Education

Module 3: Elasticity of Demand and Supply
Mankiw, N. G. (2018). Chapter 5 in *Principles of Microeconomics (8th edition)*, Cengage Learning Publishers.
Case, K. E, Fair, R. C. and Oster, S. E. (2017). Chapter 5 in *Principles of Economics (12th edition)*, Pearson
Stiglitz, J. E. and Walsh, C. E. (2005). Chapter 4 in *Economics (4th edition)*, W. W. Norton and Company.

Module 4: Consumer Choice and Demand Decisions
Begg, D., Vernasca, G., Fischer, S., and Dornbusch, R. (2014). Chapter 5 in *Economics (11th edition)*, McGraw Hill Education.
Stiglitz, J. E. and Walsh, C. E. (2005). Chapter 5 in *Economics (4th edition)*, W. W. Norton and Company.
Case, K. E, Fair, R. C. and Oster, S. E. (2017). Chapter 6 in *Principles of Economics (12th edition)*, Pearson.

Module 5: Firm Behaviour and Supply Decisions
Begg, D., Vernasca, G., Fischer, S., and Dornbusch, R. (2014). Chapters 6 and 7 in *Economics (11th edition)*, McGraw Hill Education.
Mankiw, N. G. (2018). Chapters 13 and 14 in *Principles of Microeconomics (8th edition)*, Cengage Learning Publishers.

Module 6: Introduction to Macroeconomics
Case, K. E, Fair, R. C. and Oster, S. E. (2017). Chapter 20 in *Principles of Economics (12th edition)*, Pearson.

Module 7: Estimation of National Output and National Income
Dornbusch, R. and Fischer, S. (2010). Chapter 2 in *Macroeconomics (6th edition).* McGraw Hill India.

Module 8: Core Macroeconomic Concerns
Case, K. E, Fair, R. C. and Oster, S. E. (2017). Chapter 22 in *Principles of Economics (12th edition)*, Pearson.

Module 9: Macroeconomic policies in India
Kurien, C. T. (2012). Chapter 11 in *Wealth and Illfare: An Expedition Through Real Life Economics*, Books for Change Publishers.

Additional reading materials:

Dasgupta, P. (2007). *Economics: A Very Short Introduction*. OUP.
Mankiw, N. G. (2003). *Principles of Macroeconomics*. South-Western College Publishing House.

Pedagogical Approach:

- Classroom lectures

Additional information (if any):

Course prepared by: Dr. Shantanu De Roy

The course was approved at the 56th Academic Council meeting at the TERI-School of Advanced Studies.
Student responsibilities: Attendance, feedback, discipline: as per university rules.

Course reviewers: Prof. Mausami Das, Delhi School of Economics
Dr. Jyotirmoy Bhattacharya, Associate Professor, Ambedkar University Delhi
Dr. Seema Sangita, Associate Professor, KREA University