

HS202 Principles of Economics

Credits: 3-0-0-3

Prerequisite: Consent of the faculty member

Students intended for: B.Tech

Elective or Core: Elective

Semester: Even/Odd

Course objective: The course offers a set of basic conceptual tools to understand the intricate interplay of economic considerations that accompanies the production, distribution and consumption of goods and services. At the micro level, the course takes an integrated approach to study the economic behavior of individual firms and markets; at the macro level it examines the importance of aggregate economic variables for the study of the entire economy, of its growth and development besides monetary and fiscal policy. The emphasis on practical analyses in this survey of basic economic principles and methods is to help students to acquire the skills to grasp current economic issues and problems faced by India and other countries.

Course content:

- Introduction and Overview: Economics, the “dismal science”; Scope of Economics; Diverse types of Economies; Economic Problems and attempted Solutions: Scarcity and Choice; Demand and Supply; Consumers, Producers and the Efficiency of Markets; Elasticity and Its Applications; Consumer Surplus.
- Behind the Supply Curve: The Producer’s Outlook; Operational Costs and Revenues; Profit Maximization.
- Behavior of firms in diverse market environments: Monopoly and antitrust policy; Government policies towards competition; Oligopoly; Monopolistic Competition.
- Inputs Markets: Markets for the Factors of Production; Discrimination and exploitation of inputs in the imperfect market.
- Three Key Macro Variables: Gross Domestic Product (Different Concepts of national income, approaches to calculate national income); GDP and the parallel economy; Unemployment; Inflation.
- Macroeconomic Equilibrium: Business Cycles; The Tradeoff between Inflation and Unemployment: The Phillips Curve; Investment: determinants; Multiplier and its working.
- Monetary system and Policies: Money in the Modern Economy; Banking and credit creation; Credit Control: Open Market Operations and other measures; Money Multiplier; Money Demand and Interest Rates; Money and Inflation in the Long Run: The Quantity Theory of Money
- Fiscal Policy: Overview: Facts and Figures; The Role of Social Security; Government Spending and Tax Multipliers.
- Application: The Costs of Taxation: Income Inequality and Poverty; Externalities: Public Goods and Common Resources; Exploring the Macroeconomics of an Open Economy and Basics of Trade; Balance of Payments-The current and capital account; Welfare Analysis of Trade and Tariffs; Interdependence and the Gains from Trade.
- Related International Issues: “Why are Poor Countries are Poor”; “Can India Overtake China?”

Course readings:

N. Gregory Mankiw, *Principles of Economics* (2011), 6th edition, South Western Cengage Learning.

Glenn Hubbard and Anthony O’Brien, *Economics* (2009), 3th edition, Prentice Hall.

Karl E. Case and Ray C. Fair, *Principles of Economics* (2007), 8th Edition, Prentice Hall.

J.E. Stiglitz, and C.E. Walsh, *Principles of Economics* (2002), 3rd Edition, W.W. Norton & Company, New York.

Rest of the assigned reading will be drawn regularly from current newspaper and magazine articles.