

### **31. ECONOMICS**

#### **MICRO ECONOMICS**

**Introduction:** Importance of Economics. Definition: Wealth, Welfare, Scarcity and Growth. Scope and Limitations. Micro and Macro Analysis. Approaches to Economic Analysis. Partial Equilibrium vs. General Equilibrium, Comparative Static and Dynamic analysis, Positive and Normative Approaches.

#### **Theory of Consumer Behavior:**

Utility Analysis: Cardinal Utility Theory, Law of Diminishing Marginal Utility, Law of Equi-Marginal Utility, Consumer Equilibrium. Ordinal Utility Theory: Indifference Curve Analysis, Consumer's Equilibrium. Price, Income and Substitution Effects. Types of Goods: Normal, Inferior and Giffen Goods. Derivation of Individual Demand Curve and Market Demand Curve with the help of Indifference Curve. Consumer Surplus

#### **Supply and Demand Analysis:**

Law of Demand, Movements and Shifts in Demand Curve. Elasticity of Demand, Price, Income and Cross Elasticity. Degree of Elasticity. Methods of Measuring Elasticity are of Demand: Point, Arc and Outlay Methods. Law of Supply, Movement and Shifts in Supply Curves. Elasticity of Supply, Determinants of Supply. Derivation of Supply curve.

#### **Theory of Production:**

Concept of Production. Production Functions: Linear and Non – Linear Homogeneous Production Functions. Isoquants. Scale of Production. Returns to Scale. Law of Variable Proportions and Variable Returns to Scale. Economies of Scale and Scope. Limitations of Production Function Analysis. Production Surplus.

#### **Production Costs: Concepts and Types:**

Money, Accounting, Real, Opportunity, Economic, Implicit and Explicit, Short Run, Long Run, Fixed and Variable Costs. Concepts of Total, Average and Marginal costs. Derivation of Long run Average and Marginal Cost Curves. Relationship between Average and Marginal Costs Curves in Short run and Long run.

#### **MACRO ECONOMICS**

##### **Introduction**

Meaning, Scope and Limitations of Macro Economics. National Income: Concepts, Methods of Measurement and Difficulties in Estimation of National Income and Limitations National Income as a Measure of Welfare. Social Accounting

##### **Theories of Output and Employment**

The Classical Theory of Employment (Say's Law and Pigou's Wage cut Policy) and Criticism, Keynesian Theory: Effective Demand, Aggregate Demand and Aggregate Supply Function, Consumption Function: Factors influencing consumption function, Investment Multiplier its relevance in emerging economies. Concept of Accelerator

##### **Investment & Theories of Interest Rate**

Capital and Investment: Types of Investment, Determinants of level of Investment, MEC Ex-Post and Ex-Ante Investment and Savings- Classical, Neo-classical. And Keynesian Theories of Interest. Liquidity Trap, Simultaneous Determination of Interest and Real Income through IS-LM Framework in a closed Economy

##### **Supply of Money & Demand for Money**

Definition of Money - Money Supply: Measures of Money Supply (M1, M2, M3 & M4) - RBI approach to money supply; High powered money and money multiplier; Control of money supply. Variations in money supply in India. Theories of demand for money - Classical and Neo Classical approaches, Keynes liquidity preference approach. Derivation of LM curve.

**Inflation & Business Cycles** Definition of Inflation: Causes, consequences and control of inflation - Deflation and stagflation. Nature, Characteristics and Phases of Business Cycles. Samuelson's Business Cycle Theory. Stock market-meaning, functions; Insurance-Life insurance and General Insurance

**MICRO ECONOMICS****Types of Revenue and Objectives of Firm**

Behavior of the Firm. Concept of Revenue: Total Revenue (TR), Average Revenue (AR) and Marginal Revenue (MR). Relationship between AR and MR and the Elasticity of Market Demand. Traditional Objectives of the Firm: Profit Maximization. Modern Objectives of the Firm: Output/Sales/Market Share Maximization.

**Perfect Competition and Monopoly**

Classification of Market. Perfect Competition, Short Run and Long Run Analysis. Equilibrium of the Firm and Industry. Monopoly Features, Equilibrium. Discriminatory Pricing. Differences between Perfect Competition and Monopoly.

**Monopolistic Competition and Oligopoly Markets**

Monopolistic Competition. Product Differentiation, Selling Costs. Oligopoly: Homogeneous and Heterogeneous Oligopoly, Price Rigidity in Oligopoly. Kinky Demand Curve.

**Pricing Strategies**

Pricing Practices: Cost Plus Pricing, Marginal Cost Pricing, Rate of Return Pricing, Product Life Pricing, Price Skimming, Penetration Pricing, Markup Pricing. State Intervention and Administered Prices.

**Distribution and Factor Pricing**

Functional and Personal Distribution. Marginal Productivity Theory of Distribution. Ricardo Theory of Rent and Quasi Rent. Theories of Wages. Theories of Profit. Risk and Uncertainty. Concept of Interest.

**PUBLIC ECONOMICS**

**Introduction:** Meaning and importance of Public finance - Evolution of public finance. Multiple theory of public household-Public and Private goods-Markets mechanism in public and private goods. State as an agent of planning and development

**Public Expenditure**

Theories of public expenditure- Wagner's law of increasing state activities – Peacock Wisemans hypothesis- Principle of Maximum Social advantage –Growth and pattern of public expenditure, Effects of public expenditure-Cost benefit analysis.

**Taxation & Public Debt**

Approaches to taxation- Benefit approach, Ability to pay approach and Neutrality approach- Elasticity and buoyancy of taxation-incidence and shifting of taxation-Types and classification of taxes and VAT, Approaches to public debt.

**Fiscal Policy & Federal Finance**

Definition of fiscal policy and its objectives; Fiscal Policies for redistribution of income and wealth and stabilization – fiscal policies in a developing country, federal financial structure and its main features – Direct taxes-Income tax-Corporate tax. Indirect tax structure- Union excise duties, customs duties, sales tax –VAT, Centre-State financial Relations.

**Budget:** Budget – Classification of budgets –Economic, Functional, organizational, classification of budgets- performance programming and zero based budgets- surplus, balanced and deficit budgets- Concepts of budget deficit and their implications – State and Central budgets. Fiscal crisis and Fiscal sector reforms in India; Reports on Finance Commissions in India.

**DEVELOPMENT ECONOMICS****Economic Development and Growth**

Concepts of Economic Growth and Development. Measurement of Economic Development: Per Capita Income, Basic Needs, Physical Quality of Life Index, Human Development Index and Gender Empowerment Measure. Role of State and Market in Economic Development

**Factors in Economic Development**

Factors effecting Economic Development-Characteristics of developing Countries- Population and Economic Development- Theories of Demographic Transition. Human Resource Development and Economic Development

**Theories of Economic Development**

Theories of Adam Smith, David Ricardo, Karl Marx and Schumpeter

**Theories of Under Development**

Lewis, Rodan, Libenstien, Nurkse's Balanced Growth Strategy, Hirsch man's Un-balanced Growth Strategy, Myrdal model.

**INTERNATIONAL ECONOMICS**

**Theories of International Trade:**

Theories of absolute advantage, comparative advantage and opportunity costs; Theorem of factor price equalization; - Heckscher - Ohlin theory of trade.

**Trade and Growth**

Gains from Trade.-Trade as an Engine of Economic Growth. Concepts of Terms of Trade- Factors affecting Terms of Trade- Singer-Prebisch secular deterioration of Terms of Trade

**Barriers to Trade**

Tariffs, Quotas and Subsidies and their effects. The optimum tariff.

**Balance of Payments**

Concepts and Components of BOP, Equilibrium and disequilibria in Balance of payments, Types of Disequilibria. Remedial measures to control disequilibrium. Devaluation. Direction and Composition of Foreign trade, Export and Import Policies of India.