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# Detailed Contents

## Part I: Microeconomics

**Introduction to Microeconomics:** Nature and Scope of Economics – Relevance of Microeconomics: Importance of Microeconomic Analysis; Limitations of Microeconomics – Difference between Micro & Macro Economics – Scarcity and Choice: Market Economy; Command Economy; Mixed Economy; Production Possibilities and Opportunity Costs – Production Possibility Curve – Partial Equilibrium and General Equilibrium Analysis: Partial Equilibrium Analysis; General Equilibrium Analysis – Economics and Business.

**Theory of Demand and Supply:** Demand Theory: Law of Demand; Determinants of Demand; Nature of Demand – Elasticity of Demand: Price Elasticity of Demand; Cross Elasticity of Demand; Income Elasticity of Demand; Advertising and Promotional Elasticity of Demand – Supply Function: Determinants of Supply; Law of Supply – Elasticity of Supply: Types of Supply Elasticity – Equilibrium of Demand and Supply: Effect of a Shift in Supply and Demand; Prices fixed by Law: Maximum Ceiling and Maximum Floor Price.

**Consumer Behavior:** Choice and Utility Theory: Measurement of Utility; Assumptions of Utility Theory; Total Utility; Marginal Utility – Law of Diminishing Marginal Utility: Applications and Uses of Diminishing Marginal Utility – Equi-Marginal Utility: Derivation of Demand Curve – Substitution and Income Effect: Substitution Effect; Income Effect – Indifference Curve: Marginal Rate of Substitution; Budget Constraint; Consumer Equilibrium – Consumer Surplus: Applications of Consumer Surplus.

**Production Function:** Production Function – Concepts of Product: Total Product; Average Product; Marginal Product – Three Stages of Production – Short-run and Long-run – Technological Change – Returns to Scale – Production with One Variable Output: Diminishing Marginal Returns; Relationship among the Product Functions – Production with Two Variable Output: The Production Isoquant; The Product Isocost; Least Cost Combination; Expansion Path.

**Analysis of Costs:** Types of Costs: Opportunity Costs; Implicit and Explicit Costs; Economic Costs; Marginal Incremental, and Sunk Costs; Direct and Indirect Costs; Fixed and Variable Costs – Cost and Production Function: Short-run Cost Function; Long-run Cost Functions; Comparison between Long-run and Short-run – Break-even analysis: Merits of Break-even Analysis; Demerits of Break-even Analysis – Shutdown Point – Economies of Scale: Real Economies of Scale; Pecuniary Economies of Scale; Diseconomies of Scale; Economies of Scope.

**Perfect Competition:** Characteristics of a Perfectly Competitive Market – Supply and Demand in Perfect Competition – Short-run Equilibrium of the Competitive Firm – Long-run Equilibrium of the Competitive Firm – Efficiency of Competitive Markets: Long-run Competitive Equilibrium and Allocative Efficiency; Efficient Output of a Good; Efficiency in Competitive Markets – Effects of Taxes on Price and Output: Imposition of a Lump Sum Tax; Imposition of a Profit Tax; Imposition of a Specific Sales Tax.

**Imperfect Competition:** Imperfect Competition – Monopoly: Price Discrimination; Types of Price Discrimination; Natural Monopolies – Monopolistic Competition: Product Differentiation; Types of Product Differentiation – Oligopoly: Kinked Demand Curve; Cartel Formation; Price Leadership; Game Theory.

**Rent and Wages:** Theories of Factor Pricing: Personal Distribution; Functional Distribution; Marginal Productivity Theory of Factor Pricing; Modern Theory of Factor Pricing – Meaning of Rent: Rent as a Differential Surplus; Scarcity Rent; Quasi-rent – Theories of Rent: Ricardian Theory; Modern Theory of Rent – Relationship between Rent and Price: Ricardian Analysis; Modern Analysis – Concept of Wages – Difference between Real wages & Nominal Wages: Nominal Wages; Real Wages – Factors Determining Real Wages – Theories of Wages: Standard of Living Theory of Wages; Bargaining Theory of Wages; Modern Theory of Wages – Wages & Trade Unions: Productivity of Unionized Workers; Limited Supply of Workers.

**Interest and Profit:** The Concept of Interest: What is Interest; Basic Concepts – Theories of rate of Interest: The Classical Theory of Rate of Interest; Liquidity Preference Theory of Interest – The Concept of Profit: What is Profit; Basic Concepts – Theories of Profit: Traditional Theories; Modern Theories – Profit Policies: Standards of Reasonable Profits; Reasons for Limiting Profits – Economic Progress & Profits.

**Forecasting and Decision-making:** Economic Forecasting – Demand Forecasting: Expert Opinion; Survey; Market Experiment; Time Series Analysis; Barometric Analysis – Risk and Decision Making: Risk and Uncertainty; Risk and Decision Making; Uncertainty and Decision Making – Capital Budgeting: Capital Budgeting Process; Evaluation of Projects.

## **Part II: Macroeconomics**

**Introduction to Macroeconomics:** Developments of Macroeconomics – Objective and Instruments of Macroeconomics: Gross Domestic Product; Full Employment; Price Stability; Sustainable Balance of Payments; Economic Growth – Instruments of Macroeconomics Policy: Fiscal Policy; Monetary Policy; International Trade; Exchange Rate Policy; Prices and Income Policy; Employment Policy – Basic Concepts in Macroeconomics: Stocks and Flows; Equilibrium and Disequilibrium; Statics and Dynamics.

**National Income:** Circular Flow of Income: Circular Flow of Income in the Two Sector Model without Savings; Circular Flow of Income in the Two Sector Model with Savings; Circular Flow of Income in a Three Sector Economy; Circular Flow of Income in a Four Sector Economy – Factors Affecting the Size of a Nation's Income – Approaches to National Income: Product Approach; Income Approach; Expenditure Approach – Measures of Aggregate Income: Gross and Net Concepts; Domestic and National Concepts; Market and Factor Cost; Aggregate Income Measures; Nominal and Real GDP; The GDP Deflator; Personal Income; Disposable Income – Difficulties in Measuring National Income – The Uses of National Income.

**Consumption and Investment Function:** Aggregate Supply and Aggregate Demand: The Keynesian Aggregate Supply Function; Aggregate Demand – Simple Equilibrium without Government Intervention: Equilibrium with Large-Scale Unemployment – Economy with Government Intervention – Three Sector Model: Recessionary Situation; Inflationary Situation – Equilibrium in an Economy with Government Intervention – Four Sector Model.

**Classical and Keynesian Economics:** The Classical Tradition: Say's Law of Markets – The Keynesian Revolution: Keynesian Approach Vs Classical Economics – The Monetarist Approach: The History of Monetarism; The Velocity of Money; The Quantity Theory of Prices; Modern Monetarism; Comparison of Monetarist and Keynesian Approaches – Neo-Classical Macro Economics: Rational Expectation – Supply-Side Economics: Factors Determining Economic Growth in Supply-side Economics; Criticism.

**Fiscal Policy and Budget Deficit:** Objectives of Fiscal Policy: Mobilization of resources; Economic Development and Growth; Reduction of Disparities of Income; Expansion of Employment; Price Stability – Constituents of Fiscal Policy: Public Expenditure; Taxation; Public Borrowing – Fiscal Policy and Efficiency Issues: Fiscal Policy and Stabilization; Automatic Stabilizers; Discretionary Fiscal Policy – Fiscal Policy and Economic Growth; Budget Deficit and Debt: What is Budget; What is Budget Deficit; What causes Budget Deficit; What is National Debt – Government Budgetary Policy: Part-A General Economic Survey; Part-B Tax Proposals – Limitations of Fiscal Policy: Lags in Fiscal Policy; Problems in Tax Policy; Burden of Public Debt.

**Monetary Policy:** Objectives of Monetary Policy: Price Stability; Exchange Stability; Full Employment and Maximum Output; High Rate of Growth – Relevance of Monetary Policy – Instruments of Monetary Policy: Open Market Operations; Bank Rate Policy; Reserve Requirement Changes; Selective Credit Control – Problems in Monetary Policy: Lags in Monetary Policy; Pressure of Financial Intermediaries; Contradictions in Objectives; Underdeveloped Nature of Money and Capital Markets – Monetary Targeting: Relevance of Monetary Targeting – Monetary Policy in a Developing Economy: Monetary Policy in India – Monetary Policy in an Open Economy: Reserve Flows; The Role of the Exchange Rate System; The Foreign Desk – Link between Fiscal and Monetary Policy.

**Inflation:** Types of Inflation – Sources of Inflation: Aggregate Demand and Aggregate Supply; Demand Pull Inflation; Cost Push Inflation – Measuring Inflation: Wholesale Price Index – Economic Impact of

Inflation: Effect of Inflation on the Distribution of Income and Wealth; Effect of Inflation on Production – Philips Curve – Measures to Control Inflation: Monetary Measures; Fiscal Measures; Other Measures.

**Banking and Money Supply:** Indian Financial System – The Banking System: Accepting Deposits; Lending Money; Classification of Loans; Remittance Business – Money Supply – Components of Money Supply: The Measures of Monetary Aggregates – The Money Multiplier Approach: The Balance Sheet or the Structural Approach – Creation of Money and Banking System: Commercial Banks-Balance Sheet; Credit Creation; Multiple Expansion; Determinants of Money Supply; The Behavior of the Public; The Behavior of Commercial Banks; Influence of the Reserve Bank; Other Factors – Equilibrium in Money Markets: Changes in Equilibrium; Financial Development.

**International Trade and Balance of Payments:** Basis of International Trade: Theory of Absolute Advantage; Theory of Comparative Advantage; Heckscher-Ohlin Theory; Imitation-Gap Theory; International Product Life Cycle Theory – Barriers to International Trade: Tariffs; Non Tariff Barriers – Trends in International Trade: Closed Economy; Open Economy; Economic Integration; Forms of Economic Integration – Balance of Payment and its Components – Causes and Types of Disequilibrium in BoP – Measures to Correct Disequilibrium: Monetary Measures; Non Monetary Measures – Exchange Rate Policy: Historic Perspective of Foreign Exchange Rate System; Types of Exchange Rate System – India's Balance of Payment and Trade Policy: The Crisis of the Early 1990s; Trade Policy.

**Economic Indicators:** The Concept of Economic Indicator – Features of Economic Indicators: Related to Business Cycle/Economy; Frequency of the Data; Timing – Classification of Economic Indicators: General Indicators; Business Indicators; Consumption Indicators.

**Business Cycles:** Characteristics of Business Cycles – Theories of Business Cycles: Multiplier-Accelerator Theory; Demand Induced Cycles; Other Theories – Forecasting Business Cycles – Employment Fluctuations: The Concept of Full Employment; Nature of and Trends in Unemployment in India.

**Economic Growth, Development and Planning:** The process of Economic Growth: Economic Growth; Measurement of Economic Growth; Determinants of Economic Growth; Economic Growth Theories – Economic Development: Difference between the Concepts of Economic Growth and Economic Development; Elements/Factors Contributing to Economic Development – Economic Reforms in India: Need for Economic Planning; Importance of Economic Planning in India; Economic Reforms Undertaken by the Indian Government; Impact of Economic Reforms in India – Future Economic Scenario in India: Globalization and its Impact; Population Growth; Foreign Exchange Reserves; Financial System in India; Unemployment.