

# ECONOMICS

## Rationale

Economics is one of the social sciences, which has great influence on every human being. As economic life and the economic go through change, the need to ground education in children's own experience becomes essential. While doing so, it is imperative to provide them opportunities to acquire analytical skills to observe the understand the economic realities.

At senior secondary stage, the learners are in a position to understand abstract ideas, exercise the power of thinking and to develop their own perception. It is at this stage, the learners and exposed to the rigour of the discipline of economics in a systematic way.

The economics courses are introduced in such a way that in the initial stage, the learners are introduced to the economic realities that the nation is facing today along with some basic statistical tools to understand these broader economic realities. In the later stage, the learners are introduced to economics as a theory of abstraction.

The economics courses also contain many projects and activities. These will provide opportunities for the learners to explore various economic issued both from their day-to-day life and also from issues, which are broader and invisible in nature. The academic skills that they learn in these courses would provide opportunities to use information and communication technologies to facilitate their learning process.

## OBJECTIVES

1. Understanding of some basic economics concepts and development of economic reasoning which the learners can apply in their day-to-day life as citizens, workers and consumers.
2. Realization of learner's role in nation building and sensitivity to the economic issues that the nation is facing today.
3. Equipment with basic tools of economic and statistics to analyses economic issues. This is pertinent for even those who may not pursue this course beyond senior secondary stage.
4. Development of understanding that there can be more than one view on any economics issue and necessary skills to argue logically with reasoning.

# Courses of Study

## **PART A : INTRODUCTORY MICRO ECONOMICS**

CHAPTER-1:	INTRODUCTION
CHAPTER-2:	THEORY OF CONSUMER BEHAVIOUR
CHAPTER-3:	PRODUCTION AND COSTS
CHAPTER-4:	THE THEORY OF THE FIRM UNDER PERFECT COMPETITION
CHAPTER-5:	MARKET EQUILIBRIUM

## **PART-B: INTROSUCTORY MACRO ECONOMICS**

CHAPTER-1:	INTRODUCTION
CHAPTER-2:	NATIONAL INCOME ACCOUNTING
CHAPTER-3:	MONEY AND BANKING
CHAPTER-4:	DETERMINATION OF INCOME AND EMPLOYMENT
CHAPTER-5 :	GOVERNMENT BUDGET AND THE ECONOMY
CHAPTER-6 :	OPEN ECONOMY MACROECONOMICS

## **PART A : INTRODUCTORY MICRO ECONOMICS**

### **1. INTRODUCTION**

- 1.1 A Simple Economy
- 1.2 Central Problems of an Economy
- 1.3 Organisation of Economic Activities
  - 1.3.1 The Centrally Planned Economy
  - 1.3.2 The Market Economy
- 1.4 Positive and Normative Economics
- 1.5 Microeconomics and Macroeconomics
- 1.6 Plan of the Book

### **2. THEORY OF CONSUMER BEHAVIOUR**

- 2.1 Utility
  - 2.1.1 Cardinal Utility Analysis
  - 2.1.2 Ordinal Utility Analysis
- 2.2 The Consumer's Budget
  - 2.2.1 Budget Set and Budget Line
  - 2.2.2 Changes in the Budget Set
- 2.3 Optimal Choice of the Consumer
- 2.4 Demand
  - 2.4.1 Demand Curve and the Law of Demand
  - 2.4.2 Deriving a Demand Curve from Indifference Curves and Budget Constraints
  - 2.4.3 Normal and Inferior Goods
  - 2.4.4 Substitutes and Complements
  - 2.4.5 Shifts in the Demand Curve
  - 2.4.6 Movements along the Demand Curve and Shifts in the Demand Curve
- 2.5 Market Demand
- 2.6 Elasticity of Demand
  - 2.6.1 Elasticity along a Linear Demand Curve
  - 2.6.2 Factors Determining Price Elasticity of Demand for a Good
  - 2.6.3 Elasticity and Expenditure

### **3. PRODUCTION AND COSTS**

- 3.1 Production Function
- 3.2 The Short Run and the Long Run
- 3.3 Total Product, Average Product and Marginal Product
  - 3.3.1 Total Product
  - 3.3.2 Average Product
  - 3.3.3 Marginal Product
- 3.4 The Law of Diminishing Marginal Product and the Law of Variable Proportions
- 3.5 Shapes of Total Product, Marginal Product and Average Product Curves
- 3.6 Returns to Scale
- 3.7 Costs
  - 3.7.1 Short Run Costs
  - 3.7.2 Long Run Costs

### **4. THE THEORY OF THE FIRM UNDER PERFECT COMPETITION**

- 4.1 Perfect Competition: Defining Features
- 4.2 Revenue
- 4.3 Profit Maximisation
  - 4.3.1 Condition 1
  - 4.3.2 Condition 2
  - 4.3.3 Condition 3
  - 4.3.4 The Profit Maximisation Problem: Graphical Representation
- 4.4 Supply Curve of a Firm
  - 4.4.1 Short Run Supply Curve of a Firm
  - 4.4.2 Long Run Supply Curve of a Firm
  - 4.4.3 The Shut Down Point
  - 4.4.4 The Normal Profit and Break-even Point
- 4.5 Determinants of a Firm's Supply Curve
  - 4.5.1 Technological Progress
  - 4.5.2 Input Prices
- 4.6 Market Supply Curve
- 4.7 Price Elasticity of Supply

### **5. MARKET EQUILIBRIUM**

- 5.1 Equilibrium, Excess Demand, Excess Supply
  - 5.1.1 Market Equilibrium: Fixed Number of Firms
  - 5.1.2 Market Equilibrium: Free Entry and Exit
- 5.2 Applications
  - 5.2.1 Price Ceiling
  - 5.2.2 Price Floor

## **PART-B: INTROSUCTORY MACRO ECONOMICS**

### **1. INTRODUCTION**

- 1.1 Emergence of Macroeconomics
- 1.2 Context of the Present Book of Macroeconomics

### **2. NATIONAL INCOME ACCOUNTING**

- 2.1 Some Basic Concepts of Macroeconomics
- 2.2 Circular Flow of Income and Methods of Calculating National Income
  - 2.2.1 The Product or Value Added Method

- 2.2.2 Expenditure Method
- 2.2.3 Income Method
- 2.2.4 Factor Cost, Basic Prices and Market Prices
- 2.3 Some Macroeconomic Identities
- 2.4 Nominal and Real GDP
- 2.5 GDP and Welfare
- 3. MONEY AND BANKING**
  - 3.1 Functions of Money
  - 3.2 Demand for Money and Supply of Money
    - 3.2.1 Demand for Money
    - 3.2.2 Supply of Money
  - 3.3 Money Creation by Banking System
    - 3.3.1 Balance Sheet of a Fictional Bank
    - 3.3.2 Limits to Credit Creation and Money Multiplier
  - 3.4 Policy Tools to Control Money Supply
- 4. DETERMINATION OF INCOME AND EMPLOYMENT**
  - 4.1 Aggregate Demand and its Components
    - 4.1.1 Consumption
    - 4.1.2 Investment
  - 4.2 Determination of Income in Two-sector Model
  - 4.3 Determination of Equilibrium Income in the Short Run
    - 4.3.1 Macroeconomic equilibrium with price level fixed
    - 4.3.2 Effect of an autonomous change in aggregate demand on income and output
    - 4.3.3 The Multiplier Mechanism
  - 4.4 Some More Concepts
- 5. GOVERNMENT BUDGET AND THE ECONOMY**
  - 5.1 Government Budget – Meaning and its Components
    - 5.1.1 Objectives of Government Budget
    - 5.1.2 Classification of Receipts
    - 5.1.3 Classification of Expenditure
  - 5.2 Balanced, Surplus and Deficit Budget
    - 5.2.1 Measures of Government Deficit
- 6. OPEN ECONOMY MACROECONOMICS**
  - 6.1 The Balance of Payments
    - 6.1.1 Current Account
    - 6.1.2 Capital Account
    - 6.1.3 Balance of Payments Surplus and Deficit
  - 6.2 The Foreign Exchange Market
    - 6.2.1 Foreign Exchange Rate
    - 6.2.2 Determination of the Exchange Rate
    - 6.2.3 Merits and Demerits of Flexible and Fixed Exchange Rate Systems
    - 6.2.4 Managed Floating

**BOOKS RECOMMENDED :**

व्यष्टि अर्थशास्त्र एक परिचय  
 समष्टि अर्थशास्त्र एक परिचय  
 Introductory Microeconomics  
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