

ALLIED COURSE PAPER - I
INTRODUCTORY ECONOMICS

Course Description

This course is designed to expose students to the basic principles of economics. The emphasis will be on thinking like an economist and the course will illustrate how economic concepts can be applied to analyse real-life situations.

Course Outline

1. Exploring the Subject Matter of Economics

Why study economics? The scope and method of economics; scarcity and choice; questions of what, how and for whom to produce and how to distribute output; the basic competitive model; prices, property rights and profits; incentives and information; rationing; opportunity sets; economic systems, Gains from trade; comparative advantage and trade.

2. Supply and Demand: How Markets Work, Markets and Welfare

Individual demand and supply schedules and the derivation of market demand and supply; shifts in demand and supply curves; the role of prices in resource allocation; the concept of elasticity and its application; consumer and producer surplus; taxes and their efficiency costs; Restrictions on trade.

3. Introduction to Macroeconomics and National Income Accounting

Basic issues studied in macroeconomics; measurement of gross domestic product; income, expenditure and the circular flow; real versus nominal GDP; price indices.

4. Money and Inflation

Functions of money; quantity theory of money; determination of money supply and demand; credit creation; tools of monetary policy; inflation and its social costs; hyperinflation.

Readings

1. N. Gregory Mankiw, *Economics: Principles and Applications*, India edition by South Western, Cengage Learning India Private Limited, 4th edition, 2007.
2. Joseph E. Stiglitz and Carl E. Walsh, *Economics*, W.W. Norton & Company, Inc, New York, International Student Edition, 4th edition, 2007.
3. Andrew B. Abel and Ben S. Bernanke, *Macroeconomics*, Pearson Education, Inc., 7th edition, 2011.
4. N. Gregory Mankiw, *Macroeconomics*, Worth Publishers, 7th edition, 2010.