

# U.G ECONOMICS

## I B.A ANNUAL SCHEME – ECONOMICS

### **PAPER – ECONOMIC THEORY**

1. Economics – Positive Science and Normative Science, Wants and resources – Basic economic problems – Production possibility curve – importance – Price Mechanism – meaning – functions. Role of price mechanism in socialistic, capitalistic and mixed economies. Micro and Macro Economics, Meaning, Scope and importance – Merits and Demerits.

**National income analysis** – meaning and importance. Concepts- measurement and its types. Difficulties in measuring national income. Economic welfare and national income – per capita income.

**Poverty** – Causes- income inequalities – measures to reduce poverty.

2. **Theory of Consumer Behavior** –

**Consumption** – meaning and importance – Utility analysis- Cardinal and ordinal utility, total and marginal utility – Marshallian diminishing marginal utility - Assumptions, limitations and importance. Law of equi – marginal utility – assumptions importance and limitations.

**Indifference curve analysis** – Indifference map, Schedule – Marginal rate of substitution – Characteristics – Consumer equilibrium through indifference curves – price line – income effect and substitution effect.

3. **Demand and supply analysis** : **Demand** – meaning, types, determinants- demand law, meaning, assumptions and exceptions – Extension and contraction of demand. Increase and decrease in demand.

**Elasticity of demand** – Meaning, types – price elasticity, income elasticity and cross elasticity of demand. Factors determining elasticity of demand.

**Supply** – Meaning, law of supply, assumptions and limitations, extension and contraction of supply increase and decrease of supply. Factors determining elasticity of supply – Supply elasticity and its types.

4. **Theory of Production and Distribution** – **Production** – Meaning and factors of production. Equal product curves – meaning – Marginal rate of technical substitution, optimum production combination.

**Returns to Scale** – Decreasing, increasing and constant returns to scale.

**Law of Variable Proportions** – Meaning and importance, Economies of Scale – Internal Economies and External Economies, types – Diseconomies.

**Theory of Distribution** – Marginal Productivity Theory of Distribution – assumptions and criticisms.

**Modern Theory of Distribution** – Rent – Meaning, Economic rent Differential rent. Theories – Ricardian Theory- Importance and limitations. Modern Theory of rent – Quasi rent.

**Wages** – Meaning, Money wage and real wage Theories – Subsistence Theory, Wage Fund Theory, Marginal Productivity Theory and Modern Theory. Collective bargaining in Wage determination. Minimum Wage Concept.

**Interest** – Meaning, Total and Net Interest. Theories – Classical loan fund theory and Liquidity Preference Theory of Interest.

**Profit** – Profit – Meaning, Total Profit and net profit. Theories – Uncertainty theory and Innovations Theory of Profit.

**5. Cost and Revenue Analysis and Markets** – Concepts of costs, different types – total cost, marginal cost and average costs.

**Revenue Analysis** – Meaning and types – Total Revenue, Marginal and average revenue.

**Markets** – Meaning and types of markets – Perfect competition- meaning and features – Price and output determination – Role of time element in price determination – Market price and normal price. Monopoly – Meaning and features – Price output determination. Price discrimination. Monopolistic competition – Meaning and features – Price and output determination. Oligopoly.

**6. Theory of Employment and Money** – Classical theory of employment – Say's Law of Markets. Remedies for unemployment and criticism. Keynesian theory of employment. Effective demand. Keynes's extended model. Differences between classical and Keynesian theories Practical importance of Keynesian theory of employment and criticism. Keynesian theory of employment. Effective demand. Keynes's extended model.

Differences between classical and Keynesian theories. Practical importance of Keynesian theory of employment and criticism – Propensity to consume – Keynes's Psychological law of consumption. Propensity to invest – Marginal efficiency of capital – Equilibrium level of income. Multiplier and Acceleration principles and their functions. Demand for money, motives for holding cash – Value of money – Quantity theory of money. Fisher's Equation – Cash transactions approach. Cambridge equation – Cash balance approach. Inflation – Types, effects and limitations.

### **REFERENCE BOOKS**

1. Modern Economic Theory – K K Dewett
2. A Text Book of Economic Theory – Stonier and Hague
3. Economic Theory – M L Seth
4. Modern Economic Analysis – D M Mithani
5. Economic Theory – K P M Sundaram
6. Economic Theory and Applications – Anandya Sen
7. Theory of Economics – P A Samuelson

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