

**UNIVERSITY OF DELHI  
DELHI SCHOOL OF ECONOMICS  
DEPARTMENT OF ECONOMICS**

**Minutes of Meeting**

**Concurrent Course (Principles of Economics)  
6<sup>th</sup> Semester (Academic Year 2013-14)**

**It was decided that the reading list would be the same was offered in the last year 4<sup>th</sup> Semester.**

**Basic Text:**

Lipsey, R.G. & Chrystal, K.E.: Principles of Economics, 11th Edition. Oxford University Press.  
[See Annex for Concordance between Lipsey & Chrystal 11<sup>th</sup> Edition and 10<sup>th</sup> Edition

Topics: As last year

**TOPICS**

**1. Exploring the subject matter of economics**

Why study economics? Scope and Method of Economics; The Economic Problem: Scarcity and Choice. Reading and working with Graphs. Positive and Normative economics. Microeconomics and Macroeconomics.

Chapters 1, 2. Exclude "Economic Data" (pp. 22-24).

**2. Supply and Demand: Markets and Prices**

Markets and Competition; Determinants of demand and supply; How prices allocate resources. Elasticity and its applications; Controls on Prices.

Chapters 3,4,. Exclude pp57-61, but include the section on government intervention on markets.

**3.What Determines Demand**

Marginal Utility Theory. Indifference Theory. Income and Substitution Effects.

Chapter 5. Exclude Box 5.5, p.103 (The Slutsky Decomposition of Income and Substitution Effects)

**4. Firms, Cost and Profits**

The Production Process; Firms; Costs and Output decisions in the short and the long run.

Chapter 6.

## 5. Market Structure

Perfect competition. Monopoly.

Chapters 7, 8.

## 6. Macroeconomic Concepts and Measurement

Concepts of GDP and national income. Nominal and Real GDP.

Chapter 15. Cover only sections "What is Macroeconomics?", "Why do we need Macroeconomics?", "GDP, GNI and GNP", "Circular Flow of Income", "Interpreting National Income and Output Measures".

**New reading:** M.S. Ahluwalia (2011). "Prospects and Policy Challenges in the Twelfth Plan." *Economic and Political Weekly (EPW)*, May 21, 2011 (pp. 88-105). [And comment by Y.V. Reddy and reply by Ahluwalia (EPW, June 11, 2011).]

## 7. The Simple Keynesian Model

Aggregate expenditure and equilibrium output. Fiscal policy at work - the multiplier effect.

Chapters 16, 17

## 8. Money and Monetary Institutions

The nature of money; credit creation. The Demand for Money. Monetary Policy.

Chapter 20. Cover the following sections: "The Nature of Money", "The Origins of Money", "The Ratios Approach to the Creation of Money" (excluding the general case of deposit creation and Figure 27.1).

Chapter 21. Cover the following sections: "The Demand for Money", "Monetary Forces and Aggregate Demand" (excluding the "Accelerator Theory of Investment")

## 9. International Trade

Gains from Trade; Terms of Trade

Chapter 27. Cover pp. 610-616 only.

**Internal Assessment (25 marks):** There will be two class tests of 10 marks each and 5 marks will be awarded based on attendance in classes and tutorials.

**End of semester exam:** The exam will carry 75 marks and comprise seven questions in all. Each question will be worth fifteen marks. The *first* question will be compulsory and consist of short notes/questions from microeconomics and macroeconomics (Topics 1 to 9 above). Besides, the students will be asked to answer **two out of three questions each** from microeconomics (Topics 1 to 5) and macroeconomics (Topics 6 to 9).

**Annex**  
**Concordance between Lipsey & Chrystal 11<sup>th</sup> Edition and 10<sup>th</sup> Edition**

<b>Sl.</b>	<b>Topic</b>	<b>Readings with Lipsey 11e</b>	<b>Equivalent Lipsey 10e</b>
1	Exploring the subject matter of Economics	LC 11: Chs. 1,2 excluding 'Economic Data' pp 22-24.	LC 10: Chs. 1,2 Excluding 'Economic data' pp 19-21 and 'measuring marginal values' pp28-31)
2	Supply and Demand: Markets And Prices	LC 11: Chs. 3,4 Exclude pp 57-61., but include section on govt intervention in markets.	LC10: Chs. 3,4,5. Exclude pp. 77-83, but include section on govt intervention in markets. Exclude section on Problems of Agriculture, pp. 87 - 90.
3	What Determines Demand	LC 11: Ch. 5, Exclude Box 5.5, p. 103 (Slutsky Decomposition)	LC 10: Chs. 6,7. Exclude Box 7.4, p 119 (Slutsky Decomposition)
4	Firms, Cost and Profits	LC 11: Ch. 6.	<i>LC 10: Chs. 8,9 Exclude section on Isoquants pp. 144-147.</i>
5	Market Structure	<i>LC 11: Chs. 7,8</i>	<i>LC 10: Chs. 10,11</i>
6	Macroeconomic Concepts and Measurement	LC 11: Ch. 15 , Sections on 'What is Macroeconomics', 'Why do we need macroeconomics', 'GDP, GNI, GNP', 'Circular Flow of Income', and 'Interpreting National Income & Output Measures'	LC 10: Ch. 21, Sections on 'What is Macroeconomics', 'Why do we need macroeconomics', 'GDP, GNI, GNP', 'Circular Flow of Income', and 'Interpreting National Income and Output Measures'
7	Simple Keynesian Model	LC 11: Chs. 16,17	LC 10: Chs. 23,24
8	Money and Monetary Institutions	LC 11: Ch. 20, Sections on 'The Nature of Money', 'The Origins of Money' , 'The Ratios Approach to Creation of Money' (Excluding the general case of deposit creation & Fig. 20.1)	LC 10: Ch. 27, Sections on 'The Nature of Money' , 'The Origins of Money', 'The Ratios Approach to Creation of Money' (Excluding the general case of deposit creation & Fig. 27.1)
	Money and Monetary Institutions (contd)	LC 11: Ch 21, Sections on 'Demand for Money', Monetary Forces and Aggregate Demand', (Exclude Accelerator Theory of Investment)	LC 10: Ch 28, Sections on 'Demand for Money', Monetary Forces and Aggregate Demand', (Exclude Accelerator Theory of Investment)
9	International Trade	LC 11: Ch 27, pp 610-16 only	LC 10: Ch 33, pp. 609-15 only