Principles of Economics

(8th Edition)

Dr. H. S. Agarwal
Professor of Economics (Retd.)
Agra College, AGRA
PART ONE

BASIC CONCEPTS

1. The Scope and Nature of Economics 1-31
   Introduction; The Subject Matter of Economics; Definition of Economics; Wealth Definitions; Welfare Definitions; Criticisms of Welfare Definitions; Scarcity Definitions; Criticisms of Scarcity Definitions; Comparison between Robbins Definition and Marshall's Definition; Growth Definitions; The Central Problem of an Economy; Society's Production Possibility Curve; Uses or Applications of Production Possibility Curve; Circular Flow of Economic Activity; The Circular Flow in a Two-Sector Economy; The Circular Flow in a Three-Sector Economy; Economics as a Science; Nature of Economic Laws; Economics as a Positive or a Normative Science; Economics as an Art; The Relation of Economics with other Subjects; Exercises; Multiple Choice Questions.

2. The Methodological Issues in Economics 33-46
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3. **Economic Models**

   Introduction; Meaning and Nature of Economic Models; Meaning of Economic Models; Nature of Economic Models; Concepts in Model Building; Building a Micro Static Model; The Model; Limitations of Model Building; Exercises; Multiple Choice Questions.

4. **Microeconomics and Macroeconomics**

   Introduction; Microeconomics; Macroeconomics; Interdependence of Micro- and Macroeconomics; Exercises; Multiple Choice Questions.

5. **Economic Statics and Economic Dynamics**

   Introduction; Economic Statics; Scope of Static Economics; Advantages of Economic Statics; Limitations of Economic Statics; Comparative Statics; Economic Dynamics; Advantages of Economic Dynamics; Limitations of Economic Dynamics; Exercises; Multiple Choice Questions.

6. **The Concept of Economic Equilibrium**

   Introduction; Classification of Equilibrium; Stable, Unstable and Neutral Equilibrium; Stability Conditions of Equilibrium Walras vs. Marshall; Short-run and Long-run Equilibrium; Unique and Multiple Equilibrium; Static and Dynamic Equilibrium; Partial and General Equilibrium; The Walrasian Model of General Equilibrium; Assumptions of the Model; Criticisms of the Walrasian Model; Exercises; Multiple Choice Questions.

7. **The Role of Price Mechanism**

   Introduction; Role of Price Mechanism in a Free Enterprise Economy; Limitations of Price Mechanism in a Free Market Economy; Role of Price Mechanism in a Mixed Economy; Role of Price Mechanism in a Socialist Economy; Exercises; Multiple Choice Questions.

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**PART TWO**

**DEMAND THEORY**

8. **The Utility Analysis**

   Introduction; The Meaning of Utility; Cardinal and Ordinal Utility; Measurement of Utility; Total Utility and Marginal Utility;
Importance of the Concept of Marginal Utility; Law of Diminishing Marginal Utility; Assumptions of the Law; Exceptions to the Law of Diminishing Marginal Utility; Criticisms of the Law of Diminishing Marginal Utility; Importance of the Law of Diminishing Marginal Utility; The Law of Equi-marginal Utility; Assumptions of the Law; Applications or Importance of the Law of Equi-Marginal Utility; Limitations of the Law of Equi-Marginal Utility; Exercises; Multiple Choice Questions.

9. **The Theory of Indifference Curve**

Introduction; Assumptions of Indifference Curve Analysis; Meaning of Indifference Curves; Marginal Rate of Substitution (MRS); Properties or Characteristics of Indifference Curves; The Budget Constraint Line or the Price Line; Equilibrium of the Consumer; Abnormal Indifference Curves and Corner Solution; The Income Consumption Curve and the Income Effect; The Substitution Effect; The Price Consumption Curve and the Price Effect; Separation of Price Effect into Income and Substitution Effects Slutsky vs Hicks; Derivation of the Demand Curve from the Price Consumption Curve; Method I; Method II; Comparative Demand Curves; Derivation of the Income Demand or Engel Curve; Elasticity of Demand and the Price Consumption Curve (PCC); Applications of Indifference Curve Analysis; Comparative Study of Utility Analysis and Indifference Curve Analysis; A Critical Appraisal of the Indifference Curve Analysis; Exercises; Multiple Choice Questions.

10. **The Concept of Consumer's Surplus**

Introduction; Meaning of Consumer's Surplus; Measurement of Consumer's Surplus; Marshallian Approach to Consumer's Surplus; Assumptions of Marshallian Approach; Criticism of Marshallian Approach to Consumer's Surplus; Hicksian Approach to Consumer's Surplus; Change in Price and Consumer's Surplus; Change in Income and Consumer's Surplus; Hicks Reformulation of the Concept of Consumer's Surplus; Changes in the Quantity of the Commodity; Hicks vs. Marshall's Measure; Changes in the Price of the Commodity; Importance of Consumer's Surplus; Exercises; Multiple Choice Questions.
11. The Revealed Preference Theory of Demand

Introduction; Assumptions of Revealed Preference Theory; Choice Reveals Preference; Revealed Preference Theory and the Demand Theorem or the Law of Demand; Price, Income and Substitution Effects Under Revealed Preference Approach; Derivation of Demand Curve from Revealed Preference; Superiority of Revealed Preference Theory; Defects of the Revealed Preference Theory; Exercises; Multiple Choice Questions.

12. The Modern Utility Analysis of Choices Involving Risk or Uncertainty

Introduction; The Bernoulli Hypothesis or the St. Petersburg Paradox; The Neumann-Morgenstern Method of Measuring Utility; The N-M Utility Index; Friedman-Savage Hypothesis; The Markowitz Hypothesis; Exercises; Multiple Choice Questions.

13. Hicks Revision of Demand Theory (Demand Theory of Logical Ordering)

Introduction; Preference Hypothesis and Logic of Ordering; Strong and Weak Ordering Distinguished; Weak Ordering in the Hicks Demand Theory; The Direct Consistency Test; Demand Theory of Weak Ordering; Derivation of Law of Demand by the Method of Compensating Variation; Derivation of Law of Demand by the Method of Cost Difference; Inferior Goods, Giffen Goods and Law of Demand; Superiority of Hicksian Logical Ordering Theory of Demand; Exercises; Multiple Choice Questions.

14. Law of Demand and Elasticity of Demand

Introduction; Meaning of Demand; The Law of Demand; The Demand Function; Demand Schedule and Demand Curve; Market Demand Curve; Types of Demand; The Determinants of the Demand Curve; Change in Demand and Change in Quantity Demanded; Reasons for the Negative Slope of the Demand Curve; Elasticity of Demand; Price Elasticity of Demand; Measurement of the Price Elasticity of Demand; Elasticity and Slope of the Demand Curve; The Determinants of Price Elasticity of Demand; Cross Elasticity of Demand;
4. Income Elasticity of Demand; Income Elasticity of Demand and the Propensity to Consume; Income Elasticity of Demand and Engel Curves; Demand Elasticity of Substitution; Mathematical Relationship between Elasticities; Average Revenue, Marginal Revenue and Elasticity of Demand; Diagrammatical Representation; Significance of the Concept of the Elasticity of Demand; Exercises; Multiple Choice Questions.

15. The Concept of Consumer’s Sovereignty

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16. Recent Developments in Demand Theory

Introduction; The Pragmatic Approach; The Constant Elasticity of Demand Function; The Dynamic Demand Function; The Empirical Demand Function; Limitations of Demand Functions; The Linear Expenditure System (Les); Assumptions of LES Model; Framework of the LES Model; The Indirect Utility Function (Linear Programming Technique); Properties of the Indirect Utility Function; The Dual of Indirect Utility Function; The Consumer Expenditure Function; Exercises; Multiple Choice Questions.

PART THREE

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17. Traditional Approach of Production Function

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18. Isoquant-Isocost Approach of Production Function

Introduction; Isoquants or Isoproduct Curves; Isoquants vs. Indifference Curves; Equal Product Map or Isoquant Map; Properties of Equal Product Curves; The Principle of Diminishing Marginal Rate of Technical Substitution (MRTS); Limitations of the Concept of Diminishing Marginal Rate of Technical Substitution; Optimum Combination of Inputs; Changes in Outlay and Expansion Path; Changes in Input Prices; Optimum Combination of Outputs; Isoquants and Returns to Scale; Isoquants and Laws of Returns or Returns to a Variable Input; The Cobb-douglas Production Function; Properties of Cobb-Douglas Production Function; Importance of Cobb-Douglas Production Function; Criticisms of Cobb-Douglas Production Function; The CES Production Function; Properties of CES Production Function; Advantages of CES Production Function over the Cobb-Douglas Production Function; Limitations of the CES Production Function; Output Elasticity; Outlay Elasticity or Cost Elasticity; Exercises; Multiple Choice Questions.

19. Technical Progress and Production Function

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PART FOUR

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20. Nature of Costs and Elasticity of Costs

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### 21. Concept of Revenue

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### 22. Law of Supply and Elasticity of Supply

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### 23. Equilibrium of the Firm and the Industry

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### 24. Pricing and Output under Perfect Competition

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25. Interdependent Prices

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26. Pricing and Output under Monopoly

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27. Monopoly Price Discrimination

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34. Managerial and Behavioural Theories of the Firm

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35. Theory of Games and Price Determination

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36. Input-Output Analysis

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37. Linear Programming

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