Course title: **Economic Analysis**  Full marks: 100

Course No.: Eco. Ed. 416 Pass marks: 35

Nature of the course: Theory Periods per week: 6

Level: B. Ed. Total periods: 150

Year: First Time per period: 55 minutes

**1. Course Description**

This is a theoretical course, which is divided into two parts. Part I contains micro economics and part II contains macro economics including the welfare economics. This course is developed to meet the need of those students who wish to become the teachers of economics as well as who plan to go for advanced study in economics.

**2. General Objective**

The general objectives of this course are as follows:

* Distinguish between Micro and Macro Economics.
* Explain the theory of consumer’s behavior using cardinal and ordinal utility concept.
* Acquaint the students with the methods of estimating demand elasticity.
* Explain the theories of factors of production.
* Derive various types of cost and revenue curves.
* Explain the process of price determination under different market structures.
* Explain the theory of factors pricing.
* Develop the knowledge and skill to measure national income.
* Analyze the effect of inflation.
* Evaluate the classical theory of income and employment.
* Analyze the Keynesian model of income determination.
* Introduce the concept and criterion of welfare economics.

**3. Contents**

Part I: Micro Economics

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| **Specific Objectives** | **Contents** |
| * To introduce the meaning and definitions of microeconomics and macroeconomics. * To describe the types of microeconomics and macroeconomics. * To explain the limitation of microeconomics and macroeconomics. * To analyze the application of microeconomics and macroeconomics. | **Unit 1: Introduction (8)**   * 1. Meaning of micro and macroeconomics.   2. Types of micro and macroeconomics.   3. Limitation of micro and macroeconomics.   4. Application of micro and macroeconomics. |
| * To explain the Consumer’s equilibrium under Cardinal Utility Analysis. * To introduce the meaning of Indifference Curve. * To explain the properties of Indifference Curve. * To describe the marginal rate of technical substitution. * To explain the consumer's equilibrium under indifference curve analysis. * To explain price effect, income effect and substitution effect. * To describe criticism of indifference curve. * To introduce the meaning of elasticity of demand. * To classify the elasticity of demand into price, income and cross elasticity. * To develop the measurement of price, income and cross elasticity of demand through outlay, point and arc method. | **Unit II: Theory of Consumer's Behaviour(16)**   * 1. Concept of cardinal utility analysis.   2. Ordinal utility analysis: indifference curve analysis.      1. Meaning and properties.      2. Marginal rate of technical substitution.      3. Consumer's equilibrium.      4. Price, income and substitution effects.      5. Criticism of indifference curve   3. Elasticity of Demand.      1. Meaning and types of price, income and cross elasticity of demand.      2. Measurement of price, income and cross elasticity of demand through total outlay, point and arc method. |
| * To introduce the meaning of production function. * To explain the concept of short-run and long-run production function. * To describe the concept of total, average and marginal product. * To explain the law of variable proportion. * To introduce the meaning of Iso-quant curve. * To describe the properties of Iso-quant curve. * To describe the marginal rate of technical substitution. * To explain the producer's equilibrium under Iso-quant curve. * To describe the law of return to scale. | **Unit III: Theory of Production(10)**   * 1. Production function: short-run and long- run production function.   2. Concept of total, average and marginal product.   3. Law of variable proportion.   4. Iso-quantCurve: Meaning, properties, Marginal rate of technical substitution,Producer’s equilibrium.   5. Law of return to scale. |
| * To introduce the concepts of money cost, real cost, opportunity cost, explicit cost, implicit cost historical cost and replacement cost. * Show the relationship between average and marginal cost curves. * Trace out the short-run and long-runcostcurves under classical theory of cost. * Illustrate the L-shaped long-run average cost curve. * Trace out the total, average and marginal revenue curves. * Illustrate and explain the Average and Marginal Revenue Curves in Perfect and Imperfect Competition. | **Unit IV: Theory of Cost and Revenue (11)**   * 1. Theory of Cost.      1. The concept of cost (money cost, real cost, opportunity cost, explicit cost, implicit cost, historical cost and replacement cost)      2. Classical theory of cost: short-run and long-run cost curves.      3. L-shaped long-run average cost curve.   2. Theory of revenue      1. Concept of total, average and marginal revenue curves under perfect and imperfect competition |
| * Describe the conditions for firm’s equilibrium by TR-TC and MR-MC approaches. * Explain the price and output determination under Perfect competition. * Explain the short-run and long-run equilibrium of firm by the TR-TC and MR-MC approaches. * Explain the short-run and long run equilibrium of the industry. * To derive the short-run and long-run supply curve. * Explain the short-run and long-run equilibrium of firm under monopoly market. * Introduce the meaning, types and degree of price discrimination. * Explain the short-run and long-run equilibrium of the firm under Monopolistic Competition. | **Unit V: Theory of Product Pricing (30)**   * 1. Conditions for firm’s equilibrium by TR-TC and MR-MC approaches.   2. Perfect competition market.      1. Price and output determination under perfect competition.      2. Short-run and long-run equilibrium of a firm and an industry by TR-TC and MR-MC approaches.   3. Derivation of short-run and long-run supply curve.   4. Monopoly market: Short-run and long-run equilibrium of firm; Price Discrimination: Meaning, types and degree of price discrimination.   5. Monopolistic competition market: Short-run and long-run equilibrium of the firm. |
| * To explain the modern theory of rent. * To explain the marginal productivity theory of wages. * To explain the modern theory of wages. * To explain the Liquidity preference theory of interest. * To explain the dynamic Theory of profit. * To explain the innovation theory of profit. | **Unit VI: Theory of Factors Pricing (10)**   * 1. Rent: Modern theory of rent   2. Wages: Marginal productivity theory of wages and modern theory of wages   3. Interest: Liquidity preference theory of interest.   4. Profit: Dynamic and innovation theory of profit. |

**Part II, Macro and Welfare Economics**

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| **Specific Objectives** | **Contents** |
| * To describe the concepts of GDP, NDP, GNP, NNP, NI, PI, DI and PCI. * To explain the measurement of national income through product, income and expenditure method. * To describe the difficulties in the measurement of national income. | **Unit VII: National Income Accounting (12)**   * 1. Different Concept of National Income (GDP, NDP, GNP, NNP, NI, PI, DI and PCI)   2. Measurement of National Income (Product, Income and Expenditure Method)   3. Difficulties in the Measurement of National Income. |
| * To highlight the Say's law of market * To explain the determination of output and employment in classical theory. * To describe the criticism of classical theory of employment. | **Unit VIII: Classical Theory of Employment (9)**   * 1. Say's law of market.   2. Determination of output and employment in classical theory.   3. Criticism of classical theory of output and Employment |
| * To describe principle of effective demand. * To compare between Keynesian theory and classical theory of employment. * To explain the psychological law of consumption. * To illustrate the average propensity to consume and marginal propensity to consume. * To describe the factors affecting consumption function. * To point out the measures to raise consumption. * To explain the classification and determinants of saving. * To explain the paradox of thrift. * To describe the factors affecting and determinants investment. * To assess the role of marginal efficiency of capital and the rate of interest to determine investment * To point out the measures to promote investment * To derive the multiplier equation. * To describe the linkages of multiplier. * To explain the application of multiplier. | **Unit IX: Keynesian Theory of Employment(30)**   * 1. Principal of effective demand.   2. Comparison between Keynesian theory and classical theory.   3. Consumption function: psychological law, propensity to consume, factors affecting consumption function, measures to raise consumption.   4. Saving function: classification, determinants and paradox of thrift.   5. Investmentfunction: factors affecting, determinants, measures to promote investment.   6. Investment multiplier: derivation of Multiplier, Leakages of Multiplier and application of multiplier |
| * To introduce the meaning of inflation. * To explain the features and types of inflation. * To point out the measures of Inflation. * To describe the effects of Inflation. * To introduce the concept of deflation. | **Unit X: Inflation (9)**   * 1. Meaning, features and types of inflation.   2. Measures of inflation.   3. Effects of inflation.   4. Concept of deflation |
| * To introduce the Pigouvian concept of welfare economics. * To explain the Patreto criterion of welfare economics. | **Unit XI: Welfare Economics (5)**   * 1. Pigouvian concept of welfare economics.   2. Parato criterion of welfare economics |

*Note: The figures in the parentheses indicate the approximate periods for the respective units.*

**4. Instructional Techniques**

The teacher can employ following Instructional Techniques as per the nature of unit-wise contents

* 1. Lecture and illustration.
  2. Discussion and Demonstration.
  3. Individual and Group work/project method.
  4. Report writing and classroom presentation
  5. Inquiry and question answer.

**5. Evaluation Scheme**

Student will be evaluated on the basis of written classroom test in between and at the end of the academic session, well as the classroom participation; presentation of the reports and other practical activities. The scores obtained will be used only for feedback purposes. The Office of the Controller of the examination, Tribhuvan University will conduct final examination at the end of year to evaluate student’s performance. The types, number and marks of the subjective and objective questions will be as follows.

**Subjective and objective questions**

|  |  |  |  |
| --- | --- | --- | --- |
| Types | Total questions to be asked | Number of questions to be answered | Weightage |
| **Group A:**  Objective questions  (Multiple choice items)  **Group B:**  Short answerquestions  **Group C:**  Long answer questions | 20 questions  8 with three or questions  2 with one or question | 20x1 marks  8x7 marks  2x12 marks | 20 marks  56 marks  24 marks |
|  |  | Total: | 100 marks |

**6. Recommended Books**

* Ahuja, H.L. (2006). *Advance Economic Theory (Revised sixteenth edition)*, New Delhi: S.Chand and Company Ltd. (Unit I, IV, V, VI, and VII).
* Dahal, M.R. (2009). Economic Analysis, Kathmandu: M.K. Publisher and Distributors (Unit I to XI).
* Dangal, D. N. (2015) Economic Analysis, Kathmandu: Bhudi Purad Publisher and Distributors (Unit I to XI).
* Poudel, M.R. (2015). Economic Analysis, Kathmandu: M.K. Publisher and Distributors (Unit I to XI).
* Dewett, K.K.(2005). *Modern Economic Theory (22nd revised edition)*, New Delhi: S. Chand and Company Ltd. (Unit I and XI).
* Shapiro,E.(2001). *Macroeconomic Analysis (5th edition)*, New Delhi:Galotia Publication, (Unit VII, VIII, IX, and X).
* Watson, D.S. (2004). *Price Theory and Its Uses(5th revised edition)*, New Delhi:Khosla Publication, (Unit II, III, and IV).

**7. Reference Books**

* Ackley,G.(2007). *Macroeconomic Theory,*New Delhi:Surjeet Publication.
* Paudel, M.R. and Nepal, P. (2070). *Business Economics-I (Microeconomics)*, Kathmandu: M. K. Publisher and Distributers.
* Paudel, M.R. (2071). *Business Economics –II (Macroeconomics)*, Kathmandu: M.K. Publisher and Distributers.
* Koutsoyannis, A.(2004). *Modern Microeconomics(2nd edition),* London: Macmillian Publication.
* Samulson, P.A.(1998). *Economics (*10th edition), Singapore: McGraw HillkogaKusha.
* Mankiw, N. (2006). *Principles of Economics*, New Delhi: Thomson Publication.
* Baye, Michael, (2010). Managerial Economics and Business Strategy. Seventh Edition. Boston: McGraw-Hill Irwin.
* Baye, Michael, (2010). Study guide for use with Managerial Economics and Business Strategy. Seventh Edition. Boston: McGraw-Hill Irwin,
* Douglas, E. J., (1990). Managerial Economics, Prentice Hall
* Hirschey, M., (2003). Managerial Economics, (10thedition) U.S.A. Thomson South-Western,
* Hirschey, M. and J.L. Pappas; (1998). Fundamentals of Managerial Economics, Dryden Press,
* Kent P, and P Young., (2003). Managerial Economics: Economic Tools for Today’s Decision Makers (4thEdition) Pearson.
* Keat, P., and P., Young, (1992). Managerial Economics, MacMillan
* Koutsoyiannis, A., (1979). Modern Microeconomics, MacMillan
* Mansfield E., (1998), Managerial Economics, Theory, Application and Cases. W. W. Nortion& co.
* Michael R., Baye, (2000). Managerial Economics and Business Strategy, McGraw Hills.
* Pappas, James, Brigham Eugene F and Hirschey Mark., (latest edition), Managerial Economics, Dryden Press, Chicago.
* Salvatore, D. , (2001). Managerial Economics, McGraw Hill.
* Thomas, Maurice, (2002). Managerial Economics: In a Global Economy (7thEdition) New York: McGraw Hills