

# Economics

*B.A./B.Sc.: Elective and Optional*

## Outlines of Tests

<u>Paper</u>	<u>Title of Course</u>	<u>Marks</u>
'A':	Basic Mathematics and Microeconomics	100
'B':	Macroeconomics and Economic Development of Pakistan	100
<b>Total:</b>		<b>200</b>

## Syllabi and Courses of Reading

### PAPER A : BASIC MATHEMATICS AND MICROECONOMICS

#### SECTION – I :

#### BASIC MATHEMATICS

##### **1. FUNCTION AND EQUATIONS:**

(i) *Function:* Relation Vs Function. Variables Constants And Parameters. Types Of Function: Linear And Non-Linear; Exponential And Logarithmic. Graphical Presentation Of Function. Examples From Micro And Macro Economics.

(ii) *Equation:* Equation Vs Identities. Solution Of Linear, Quadratic And Simultaneous Equations. Equilibrium Analysis In Economics : Partial Market Equilibrium ; Linear And Quadratic Models. Equilibrium In National Income.

##### **1. DERIVATIVES:**

The concept of derivative. The concept of limit and its relevance to derivatives. Slope vs elasticity of a Function. Rules of Differentiation: A Constant, A power, Sum, Difference, Product and Quotient Function Rule. The Derivation of Marginal Quantities in economics. The calculation of Elasticity of Demand and Supply.

##### **2. MAXIMA AND MINIMA OF FUNCTIONS:**

Optimum values vs Extreme Relative Maxima and Minima, point of inflection , Criteria for Relative Maxima and Minima. First order condition and second order condition. Constrained Optimization. Problems of optimization in Economics: Profit, Utility and Revenue Maximization. Cost Minimization. The Equilibrium of a Consumer and a Firm. The least cost combination of Inputs.

#### SECTION II: MICRO ECONOMICS

##### **1. THE NATURE AND IMPORTANCE OF MICRO ECONOMICS:**

Basic problems of Micro Economics Theory. The Determination of Output composition. The Allocation Resource. The distribution of the Product and the Maintenance and Expansion to the Productive capacity of the economy. Market economy and the treatment of basic economic problems. The relative importance of market mechanism in capitalism, socialism and Islamic Economics system.

##### **2. THE THEORY OF CONSUMER BEHAVIOUR:**

The Utility Theory of Consumer Behaviour. Indifference Preference Analysis. Indifference Curves And Marginal Substitution. Consumer Equilibrium. Income Substitution And Price Effect Of Normal, Inferior And Giffen Good, Derivation Of Demand Curve From Price-Consumption Curve. Revealed Preference Theory. Price Income And Cross Elasticity Demand And Their Measurement.

##### **3. THE THEORY OF PRODUCTION COSTS AND REVENUES:**

The Concept of Production Function. Iso-Quant And Iso-Cost Curves. Marginal Rate of Technical Substitution. Optimal Combination of Resources. The Cost and Revenue of Firm.

##### **4. THE THEORY OF FIRM BEHAVIOUR AND MARKET ORGANIZATION:**

###### **(a) Perfect Competition**

Assumptions Competition. Equilibrium of A Firm and Industry during Short and Long Periods. Short and Long Periods Supply Curve of A Firm and Industry.

###### **(b) MONOPOLY:**

The Nature and Extent of PuMs Monopoly. Short-Run and Long Equilibrium Under Pure Monopoly. Dumping and Price Discrimination. Welfare Effects Of Pure Monopolies.

**(c) Imperfect Competition:**

1. Monopolistic competition and its main characteristics. Short-run and long run Equilibrium under monopolistic competition. Pricing and output determination under oligopoly. Price leadership and cartels. Inefficiencies due to imperfect competition.

**5. PRICING AND EMPLOYMENT OF RESOURCES:**

The Marginal Productivity Theory of Resource Pricing. The Modern Theory Of Resource Pricing And Employment. The Demand Curve of A Firm With One Variable Resource. The Demand Curve of a Firm With Several Variable Resources. The Market Demand Curve. The Supply Curve of Resources. Resource Pricing Under Perfect Competition, Monopoly and Monopsony.

**NOTE**

In paper "A" four questions will be set from Section-I and six questions from Section-II. The candidates will be required to attempt 05 questions in all selecting 02 questions from section-I and 03 questions from section-II.

**Recommended books:** Fundamentals Methods of Mathematical Economics' 3<sup>rd</sup> Edition.

1. Chiang, Alpha C,
2. Edward T. Dowling "Schaum's Outline of Introduction to Mathematical Economics".
3. Ferguson & Gould's "Microeconomics Theory" 6<sup>th</sup> Edition.
4. A. Koutsoyiannis "Modern Microeconomics"
5. A. Hamid Shahid "Principles of economics I"

**PAPER B: MACRO ECONOMICS AND ECONOMIC DEVELOPMENT  
OF PAKISTAN**

**SECTION I: MACRO ECONOMIC**

**1. A FRAME – WORK FOR MACRO ECONOMICS**

Macro Economics Vs Micro Economics. Macro Economics. Macro Economic Problems: Unemployment, Inflation And Growth.

**2. DETERMINATION OF NATIONAL INCOME AND EMPLOYMENT (two sector Economy)**

**(i) The Classical Theory of Employment:**

Say's Law of Market. Aggregate Demand and the Quantity Theory of Money. Real Wage Function. Classical Macro Economics System, its Diagrammatic representation. Keynesian Critique of the Classical System.

**(ii) Keynesian Theory of Income and Employment:**

Equilibrium Level of National Income: Saving and Investment Approach; Consumption and Investment Approach. Relation Between Investment and Income. Investment Multiplier. Inflationary and Deflationary Gaps and Full Employment level.

**3. DETERMINANTS OF NATIONAL INCOME (Two Sector Economy) :**

**(i) Consumption:**

Consumption and Saving Functions. Keynesian Psychological Law of Consumption. Determinants of Consumption. Explanation of the Observed Relationship between consumption and Income Relative Income, Permanent Income and Life Cycle Theories of Consumption.

**(ii) Investment:**

Investment and Capital, Determinants of Investment. Marginal Efficiency of Capital (MEC) and Marginal Efficiency of Investment (MEI). Optimal Level of Investment. The Principals of Acceleration.

**4. GENERAL EQUILIBRIUM IN THE GOODS AND MONEY MARKET:**

The Derivation of IS Function in the Goods Market. The Slope and position of IS Curve. The Derivation of LM Function in the - Money Market. The Demand for and Supply of Money. The Interest Rate. The Slope of position of LM Curve. Simultaneous Equilibrium in the goods and Money Market. Adjustments towards Equilibrium.

**5. FLUCTUATIONS IN NATIONAL INCOME:**

Business Cycles and their main Features. Interaction of Multiplier and Accelerator. Counter-Cyclical Measures.

**6. MONETARY INFLUENCE ON INCOME DETERMINATION:**

Monetary Policy: Its Nature, Objectives and Instruments. Influence of Monetary Policy on Income Determination (by affecting C+I+G). Money and Inflation, Stagflation.

**7. FISCAL POLICY AND INCOME DETERMINATION:**

Fiscal Policy: Its Nature, Objectives and Instruments. The Impact of Government Expenditure, Taxes and Transfer Payments in the Equilibrium Level of National Income.

**8. INTERNATIONAL TRADE AND INCOME DETERMINATION**

Theory of Comparative Advantage. Classical and Heckscher-Ohlin Theory. Balance of Payments. Disequilibrium and Adjustment Policies. Devaluation and Revaluation. Depreciation and Appreciation of Exchange Rates. Determination of National Income in a Four Sector Economy. The Foreign Trade Multiplier and Changes in the Level of Income.

**SECTION - II: ECONOMIC DEVELOPMENT OF PAKISTAN**

**1. THE CONCEPT AND MEASUREMENT OF ECONOMIC DEVELOPMENT:**

1 Main Features of Developing Economy with Special Reference to Pakistan.

**2. AGRICULTURE AND INDUSTRY:**

Relative Importance of Agricultural and Industrial Sectors in the Economic Development of Pakistan.

**3. ECONOMIC DEVELOPMENT THROUGH PLANNING:**

Need and Role of Development Planning. Market Imperfections and Price Distortions. Short Term, Medium Term and Long Term Plans. Formulation of Objective targets and Strategy in Development Planning.

**4. ECONOMIC PLANNING IN PAKISTAN:**

Planning Machinery in Pakistan. Justification of Economic Planning in Pakistan. Factors Prohibitive in Effective Planning in Pakistan. Main Contours and Critical Evaluation of the Last Five Year Plan (Seventh Five Year Plan) with reference to Strategies, Objectives, Targets and Achievements. Role of Annual Planning in Economic Development.

**5. RESOURCE MOBILIZATION FOR PLANNED ECONOMIC DEVELOPMENT IN PAKISTAN :**

**(i) Financial Resources :**

Domestic and Foreign Resources of Pakistan. Extent of Pakistan's Dependence on Foreign Aid and Debt Servicing Problem.

**(ii) Human Resources:**

Human Resource Mobilization in Pakistan. The Need and Role of Manpower Planning.

**NOTE**

In Paper "B" six questions will be set from Section -I and four questions from Section-II. The candidates will be required to attempt five questions in all selecting three questions from Section-I and two questions from Section-

**Recommended books:**

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|----|---|---|
| 1. | Glahe, Fred R.  | "Macroeconomics" 2 <sup>nd</sup> Edition. |
| 2. | Rudiger Dornbusch, Stanley Fischer and Richard Startz | "Macroeconomics" 9 <sup>th</sup> Edition  |
| 3. | A. Hamid Shahid                                       | "Principles of economics                  |

**ECONOMICS : OPTIONAL**

For BA

**Outlines of Tests**

<b>Paper</b>	<b>Title of Course</b>	<b>Marks</b>
<b>A</b>	<b>Economics</b>	<b>100</b>

**Syllabi and Courses of Reading**

Note:-

This paper consists of two sections. The paper setter is required to divide the question paper into two parts in such a way that 5 questions are set from each section. Candidates will be required to attempt at least two questions from each part).

### **SECTION I** **(Economic Theory)**

- (1) *Basic Economic concepts:*  
Nature and functions of every economic system. Nature and scope of economic analysis. Economic terms. The major segments of economic theory. Micro-economics and macro-economics.
- (2) *Micro-economic (Price Theory):*
  - (i) The price of market mechanism. The influence of the price system on resource allocation, consumption patterns and income distribution.
  - (ii) Determination of price by supply and demand. The assumption of perfect competition. The theory of demand and utility. Elasticity of demand and its measurement. The theory of cost and supply. Equilibrium of the firm Equilibrium of demand and supply in the short-run and long-term periods.
  - (iii) Pricing of the productive factors. Wages, profits, interest and rent.
- (3) *Macro economic (income and Employment Theory):*
  - (i) Measurement of national income. Concept of GNP, and NNP. Circular flow of national income. Three approaches to national income measurement, income at factor cost, income at market price and expenditure approach.
  - (ii) Determination of the national income and employment. Equilibrium level of national income, saving, consumption and investment schedules and their inter-section. Say's law of markets and its refutation by 'Keynes' general theory of employment-aggregate demand, aggregate supply, effective demand.
  - (iii) *Consumption function:* The propensity of consume. The multiplier and its calculation. Logical identity of saving and investment.
  - (iv) *Investment as determinant of effective demand:* Determinants of investment. The marginal efficiency of capital. The accelerator and its interaction with the multipliers. The rate of interest and investment.
- (4) *Economics, Statistics and Mathematics:*  
Their growing relationship.

### **SECTION II** **Economic Planning in Pakistan**

1. *Economic Development through Planning:* The concept of measurement of economic development. The imperfections of market economy. The need and objectives of economic Planning.
2. *Special features of Pakistan's economy:* Primary production in population pressure, capital deficiency, Low income.
3. *Development Planning in Pakistan:* A brief comparison of the First, Second and Third Five-Year Plans with reference to their (a) size (b) objectives (c) strategies (d) Programme priorities and (e) financial resources.
4. *Strategic sectors of Pakistan's economy:*
  - (a) Agriculture its strategic position in economic set up; its contribution to GNP: the existing draw-back; measures to make agriculture a dynamic sector.
  - (b) Human resources development\_\_ Population as a dynamic factor in the economic development of Pakistan, Non-material capital formation.
  - (c) Industries\_\_ Present industrial complex, Justification of industrial development of Pakistan. Public, vs private enterprise and industrial development. Industrial development and Structural changes in the economic development of Pakistan.
  - (d) Pakistan's export sectors and economic development. Export promotion schemes. Scarcity of foreign exchange. Trends in the terms of trade and their cases.
  - (e) A brief discussion of Pakistan's monetary and fiscal policies as reflected the Second and Third Five-Year Plans.

5. *General Review of the economic situation in Pakistan:* Rate of growth of Pakistan's national income. The contribution of various sectors. Per Capital income, Causes of inequality of income distribution.

**Recommended Books:**

***For Section I:***

Samuelson, P.A.: Economics (McGraw-Hill Compant, New York, 1961).  
 Stonier, A.H. and Huage, D.C: A Text- Book of Economic Theory (Longmans, London, 1964).

***For Section II:***

Adrus, J.R. and Mohammad, A.F: Trade, Finance and Development in Pakistan, (Karachi 1966).  
 Meenal, S.A: Money and Banking in Pakistan (Karachi, 1966).  
 Qureshi, Al (ed.): The Third Five Year Plans and other Papers (Rawalpindi, 1966).  
 Mahbub-ul-Haq: The Strategy of Economic Planning\_\_ A Case Study of Pakistan. (Karachi, Oxford University Press,1963).  
 Govt. of Pakistan: First, Second and Third Five-Year Plans of Pakistan Report of the Food and Agriculture Commission (Karachi, 1960).  
 -----do----- Pakistan Economic Survey for the years 1963-64, 1964-65 and 1965-66.  
 -----do----- Pakistan Budgets for the years 1964-65, 1965-66 and 1966-67.