GEC S2-01

Introduction to Economic Theory - II

SEMESTER - II

ECONOMICS

BLOCK - 1

KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

Subject Experts

1. Professor Madhurjya P. Bezbaruah, Dept. of Economics, G.U.

3. Professor Nissar A. Barua, Dept. of Economics, G.U.

4. Dr. Gautam Mazumdar, Dept. of Economics, Cotton University, Guwahati.

Course Co-ordinator : Bhaskar Sarmah, KKHSOU

SLM Preparation Team

Units	Contributors	Editors
1	**Swarup Jyoti Sarma**	***Content:***
	Dakshin Kamrup College, Mirza.	**Professor K. Alam** (Retd.), Gauhati Univ.
2	**Dr. Swabera Islam**	**Dr. Gautam Mazumdar**
	K. C. Das Commerce College (Retd.)	Cotton University, Guwahati
3	**Dr. Swabera Islam**, KCDCC (Retd.)	***Language:***
	Bhaskar Sarmah, KKHSOU	**Dr. Debajit Das,** Dakshin Kamrup College, Mirza
4	**Bhaskar Sarmah**, KKHSOU	**Himangshu Barman,** D. K. College, Mirza
5	**Dr. Gautam Mazumdar**	***Structure, Format & Graphics:***
	Cotton University, Guwahati	**Bhaskar Sarmah**, KKHSOU

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Headquarters: Patgaon, Rani Gate, Guwahati - 781017

City Centre: Housefed Complex, Dispur, Guwahati - 781006; Web : www.kkhsou.in

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COURSE INTRODUCTION

This course introduces you to the field of Economics. Economics is one of the important branches of Social sciences. As an academic discipline, Economics is concerned with the utilisation of our limited available resources in the most efficient way. We always confront with the situation of unlimited wants, while we have very limited resources to fulfill those unlimited wants.

This is the second course in Economics of the BA programme of this University. This course has been entitled as “Introduction to Economic Theory-II”. This course comprises 15 units, and has been divided into 3 blocks of 5 units each.

BLOCK INTRODUCTION

This is the first block of the course. This first block comprises five units. The *first unit* is on the theories of distribution. As a reward of contribution towards the production process, different categories of factors of production receive different categoris of income in the form of wages, rent, interest and profit. This is known as functional distribution of income. In this unit, other than the functional distribution, the concpets of factor productivity and factor cost, marginal physical product, marginal revenue product, value of marginal product, average factor cost, marginal factor cost have been discussed. The *second unit* of the course deals with wages. Theories of wage determination, viz, the marginal productivity theory and the Modern Theory have been discussed. The concept of collective bargaining and its role in wage determination has also been discussed in this unit. The *third* unit discusses what is rent in Econmics; its relation with price; the concept of Quasi-rent. The *fourth* unit of this course discusses profit - the reward earned by the entepreneur. It discusses important theories, like: Innovation Theory and the Uncertainty Bearing Theory. The last unit of this block is on the Classical Theory of Output and Employment. In this unit, the basic foundation of the Classical theory has been discussed. And last but not the least, Keynes’ reaction to the Classical theory has been discussed.

This block includes some along-side boxes to help you know some of the difficult, unseen terms. Some “ACTIVITY’ have been included to help you apply your own thoughts. And, at the end of each section, you will get “CHECK YOUR PROGRESS” questions. These have been designed to self-check your progress of study. It will be better if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with “ANSWERS TO CHECK YOUR PROGRESS” given at the end of each unit.