

**ECONOMICS CURRICULUM - STANDARD XII
ECONOMIC THEORY**

<p>Evaluation – 1. Project Valuation - 50 Marks 2. Common Examination – 150 marks Total - 200 marks</p> <p>* There will be double valuation for the project work (1) By the Economics Teacher Of the School and (2) By the Examiner.</p>
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Expected Specific Outcomes	Content	Curriculum Transaction	Industrial Aids	P e r i o d s
Chapter I Nature and Scope of Economics				
To enable the students know the definition of Economics	Definition of Economics	Definitions; Adam Smith's Wealth Definition, Alfred Marchalls' Welfare Definition, Lionel Robbins' Scarcity Definition, Paul A. Samuelson's General definition – Criticism of all the above definitions.	Circular flow diagram depicting wants, efforts and satisfactions	2
To make the students understand the divisions and nature of economics	The divisions and nature of economics, and their relationship with other subjects. Static and dynamic concepts	Divisions of Economics; i) Consumption ii) Production iii) Exchange iv) Distribution v) Public Finance Nature of economics; Is economics a positive science? Or a normative science? Is economics a science or an art? Economics and its relationship with other subjects like mathematics, history, politics, psychology, jurisprudence, statistics, commerce etc.		3
To encourage the students apply the acquired knowledge to analyse the scope of economics and the methods of analysis.	Scope of micro and macro Economics- Methods of economic Analysis	Micro economics-its meaning and Definition – Scope of Micro Economics - Theory of product pricing (Theory of value) a) Theory of Demand b) Theory of production and cost Theory of Factor Pricing (Theory of Distribution) a) Theory of rent b) Theory of wages c) Theory of Interest d) Theory of Profit Theory of Economic welfare Macro Economics – its Meaning) and Definition – Scope of Macro Economics – i) Theory of Employment and Income		2

	Nature of Economic Laws Applicability and Uses of Economics	a). Theory of consumption function b). Theory of Investment ii) Theory of General price level iii) Macro Theory of Distribution Methods of Economic Analysis- Inductive Method and Deductive Method – Nature of Economic Laws.		1
To encourage the students know the basic concepts in economics	Basic concepts in economics	Basic concepts; Wants, scarcity, choice, value, market, price, goods, wealth, services, income, employment, savings, utility, welfare, land, labour, capital, organization etc.		1
Chapter II Basic Economic Problems				
To enable the students know about the basic economic problems and the different economic systems	Basic economic problems of all societies. Different economic systems	Basic economic problems What to produce? How to produce? For whom to produce? Economic systems; - Meaning, definitions, and advantages and disadvantages of i) Traditional economy ii) Market economy iii) Command economy iv) Mixed economy		2 6
To enable the students understand the importance of production possibility curve.	Production possibility curve	Production possibility curve and its importance in the context of economic development.	Diagram showing production possibility curve	1
Chapter III Consumer's Behavior				
To encourage the students understand 'human wants'	Characteristics of human wants	Human wants – meaning- characteristics- - Wants are unlimited - Wants are satiable - Wants are competitive - Wants are Recurring in nature - Wants are alternative - Wants are complementary. - Wants vary with time, place and person. - Wants become habits		1
To enable the students know the concept of utility.	Concept of utility Marshallian approach	Concept of utility – meaning and definition of utility – total utility, marginal utility, - law of diminishing marginal utility table, diagram assumptions and	Tables and diagrams showing Law of Diminishing	3

		importance of the law of diminishing marginal utility – criticism - Law of equi-marginal utility -Importance and limitations	Marginal utility and Law of Equi-Marginal Utility	2
To enable the students understand the indifference curve theory	Consumers' surplus and indifference curves theory	- Consumer's surplus-Marshall's definition, table diagram Hicksian formulation. -Consumer's surplus with constant Marginal utility of money - Consumer's surplus with diminishing Marginal utility of money	Tables and diagrams showing	3
To enable the students apply the knowledge of indifference curve analysis	Indifference curve theory	Indifference curve theory; - Table, indifference curves, assumptions of indifference curve analysis		9
Chapter IV Law of Demand and Law of Supply				
Law of Demand				
To make the students know the meaning of the term demand and the law of demand	The concept of demand and the causes for the demand curve sloping downwards;	Meaning of the term 'demand' i) Statement of the law of demand a) Assumptions b) Demand schedule ii) Why does the demand curve slope downwards? Relationship between law of demand and law of diminishing marginal utility - Income effect - Substitution effect -Principle of different uses -Entry of new consumers iii) Exceptions to demand curve -Veblen's effect – Giffen's paradox - Speculative tendencies – price delusion - Income demand and cross demand iv) Changes in demand; - Contraction and extension of demand diagram - Shifts in the demand curve diagram.	Demand Schedule and diagrams showing Law of Demand. -Exceptional Demand Curve -Contraction and extension of demand curve -Shifts in the demand Curve	2 1 2
To encourage the students to develop skills in preparing tables and drawing diagrams	Exceptions to demand curve' Income demand and cross demand; Demonstration effect of Doosenbery, Changes in demand			
To make the students understand the factors determining demand	Factors determining demand	Factors determining demand: -Tastes and preferences of the consumers -Income of the consumers - Price of substitutes -Number of consumers -Expectations of future price rise -Distribution of income -Climate and weather conditions - State of business		1
To enable the students analyse the elasticity of	Elasticity of demand, Factors determining Elasticity of	Elasticity of demand:- -Meaning and definition -Kinds of elasticity of demand i) Price Elasticity of Demand	Diagrams showing different kinds of price elasticity of	2

demand and its kinds.	demand.	ii) Cross Elasticity of Demand iii) Income Elasticity of Demand Price Elasticity of Demand: - -Perfectly elastic demand -Perfectly inelastic demand -Unit elasticity of demand -Elastic demand -Inelastic demand -Point elasticity of demand -Outlay method of elasticity- are elasticity Factors Determining Elasticity of Demand:- -Availability of substitutes, -The extent of uses -The nature of the commodity -Postponement of the use of the commodity -Habits and customs -Level of prices -Percentage of income spent	demand. -Diagram showing Arc Elasticity – table showing outlay method	1
To enable the students apply the concept of elasticity of demand.	Practical applications of elasticity of demand.	Practical applications of elasticity of demand; - -Determination of volume of output, -Price discrimination, -Price fixation for jointly supplied good -Lewy of taxes -Fixation of wages for labourers -Importance in the theory of international trade- -Poverty in the midst of plenty -Include a firm in industry.		1
Law of Supply				
To enable the students to understand the concept of supply	The concept supply	The concept of supply;- Its meaning, definitions-		1
To enable the students know the law of supply. To develop skills in preparing tables and drawing diagrams.	Law of supply	The Law of Supply: - -Supply schedule, supply curve.	Table and diagram showing Law of Supply	2
To enable the students apply the acquired knowledge to identify the factors determining supply.	Factors or determinants of supply curve; shifts in the supply curve	Factors or determinants of supply:- -Production technology -Prices of factors -Prices of other factors -Number of producers or firms -Future price expectations -Taxes and subsidies -Factors outside the economic sphere	Diagram showing movement along the supply curve	3

		Movement along the supply curve, shifts in the supply curve		
To enable the students know about the elasticity of supply, and factors determining elasticity of supply.	Elasticity of supply, and factors determining elasticity of supply.	Elasticity of supply.-meaning and definition of elasticity of supply, of supply.-kinds of elasticity – -Elasticity supply; inelastic supply; unit elasticity of supply- Factors that determine elasticity of supply -Changes in the cost of production, behaviour pattern of the producers, availability of facilities for expanding output. -Supply in the short and long period.	Diagrams showing kinds of Elasticity of supply	3 2
Chapter V Equilibrium Price				
To enable the students widen their knowledge of the concept of equilibrium.	Concept of equilibrium	Equilibrium price (or) market clearing price-		2
To enable the students understand the concept of equilibrium deeply.	Concepts of static equilibrium and dynamic equilibrium.	Statement of static and dynamic equilibrium with diagram.	Table and diagram showing determination of equilibrium price.	1
To encourage the students develop skills in drawing diagram of equilibrium price.	Diagram of equilibrium price.	Diagram of equilibrium price.	Table and diagram showing determination of equilibrium price.	1
To enable the students apply the acquired knowledge to identify the role of time in price fixation To enable the students develop skills in drawing the diagram representing different time periods and their impact on price	Time periods and price fixation	Role of time in price fixation:- Market period Short period Long Period Secular Period	Diagram showing the influence of time on Demand and supply and price	3

Chapter VI Production				
To make the students know the concept of production.	The concept of production.	Production – its meaning and definition.		1
To enable the students obtain deep knowledge about factors of production.	The factors of production	Land, labour, capital and organization.		1
		Land: meaning and definition, characteristics of land- a) Land is a nature's gift b) Supply of land is fixed c) Land had indestructible powers d) Land is a passive factor e) Land has different uses		1
		Labour: meaning and definition, characteristics of labour: - a) Labour is inseparable from the labourer b) Labour has poor bargaining power c) Labour is perishable d) Labour is less mobile -Division of Labour – merits and demerits-		1
		Capital: - meaning and definition, characteristics of capital a) Capital is the result of labour b) Capital is the result of savings c) Capital is productive-		1
		Organization: - meaning and definition Functions of an entrepreneur: - a) Planning and initiating the business b) Organizing the business c) Management of the business d) Bearing uncertainties in business e) Innovations.		1
To help the students apply the knowledge of production function	Production function- Stigler's definition- Cobb – Douglas production Function.	Production function- Stigler's definition- Cobb – Douglas production Function- Assumptions of production function- substitution of factors and technology.		1
To enable the students understand the law of returns and to enable the students to develop skills in drawing diagrams	Laws of returns and laws of returns to scale.	-Laws of returns: - -Law of Diminishing Returns – Definition, table, diagram, limitations, importance - Law of Increasing Returns: - -Definition, table, diagram Law of constant returns: - -Definition; table, diagram Laws of Returns to scale: - -Definition, table, diagram, three stages of production.	Tables and diagrams showing three types of laws of returns – table and diagram showing three stages of production.	3
				1
To enable the students apply the knowledge of laws of returns to scale	Large scale production internal and external economics and diseconomies.	Large scale production- kinds of economies: - -Internal economies -External economies -Internal diseconomies		1

to identify large-scale production.	Difference between Laws of Returns and Laws of Returns to Scale.	-External diseconomies Difference between laws of returns and laws of returns to scale		
CHAPTER VII Cost and Revenue				
To enable the students know what is cost and what is revenue	The concepts of cost and revenue	Definitions different costs and revenues		4
To make the students understand the different kinds of costs and revenues.	The different kinds of costs and revenues. To develop skills to draw diagrams and to prepare tables	Different kinds of costs, money cost, real cost, opportunity cost, implicit cost, explicit cost, private cost, social cost, fixed cost, variable cost, total fixed cost, total variable cost, marginal cost, average cost, average variable cost, average fixed cost. - Marginal cost curve (diagram) - Computation of MC (table) - Cost of production (table and diagram) Long run average cost curve-meaning-diagram -Relationship between short run AC and long-run AC - Relationship between AC and MC kinds of revenues: - -Marginal revenue, total revenue, Average and marginal revenue in perfect and imperfect competitions -Relationship between AR and MR curves tables, diagrams etc.	Tables and diagrams showing FC, VC, MC, AC -Long run Average Cost curve -Cost of production etc. -Total Revenue, Marginal Revenue under perfect and imperfect competitions -Derivation of profit	2 2 2
To enable the students apply their skills in drawing the diagram to show the derivation of profit	Derivation of profit Least cost combination of factors.	Derivation of profit- diagram. Least cost combination of factors – break-even point.		1
Chapter VIII Market Structure and Pricing				
To infuse the knowledge of market structure and make the students understand the different kinds of markets.	Structure and different kinds of markets.	Meaning and definitions – Different kinds of markets – on the basis of area, time and competition.	Flow chart- showing perfect and Imperfect competition.	1
To encourage the students apply their knowledge to analyse the	The characteristic features of perfect and imperfect competition	Characteristic features of perfect competition -Difference between perfect and pure competition -Price – output determination in short	Diagram showing Price-Output determination under perfect competition (i)	2

characteristics of markets.		run and long run -Abnormal loss, normal profits – long-run equilibrium – diagrams -Difference between long-run and short-run -Benefits of perfect competition.	short-run (ii) Long-run (iii) Abnormal profit (iv) Abnormal loss (v) Normal profit	
To enable the students to apply their knowledge to analyse the concept of monopoly and monopolistic competition exhaustively.	Monopoly price discrimination and monopolistic competition	Monopoly-meaning and definitions- Kinds of Monopoly Characteristic features of monopoly- -Single seller, no close substitutes, price. no-entry, firm and industry etc. -Causes of monopoly – natural, technical, legal, large amount of capital, state, amalgamation and combination -Price-output determination under monopoly-diagram – advantages and disadvantages of monopoly- -Methods of control of monopoly- Legislative method, controlling price and output; taxation; nationalization; consumers' association	Diagram showing Price-Output determination under monopoly and monopolistic competition	2
	Price discrimination	Price discrimination- meaning-definition- methods of price discrimination, price discrimination is possible under two conditions – A comparison between perfect competition and monopoly.		1
		Monopolistic competition: - characteristic features – number of firms; product differentiation, entry and exit are easy, selling costs; absence of interdependence. Price- output determination under monopolistic competition - diagram		2
To enable the students apply their acquired knowledge to analyse product differentiation and wastes of monopolistic competition.	Product differentiation- selling costs Wastes of monopolistic competition	Product differentiation- selling costs Wastes of monopolistic competition: - Advertisement; transport cost. Too many varieties of goods, unemployment, inefficient firms, lack of interest		2
To enable the students understand the concepts of duopoly and oligopoly	Monophony-meaning and definition Duopoly and oligopoly	Duopoly-meaning and definitions, assumptions Cournot model or Chamberlain model – criticism oligopoly – meaning and definitions – characteristics of oligopoly		2 14
Chapter IX Marginal Productivity Theory of Distribution				
To enable the students	General theory of income distribution	General theory of distribution – Demand for a factor is a derived demand		1

understand the theory of income distribution				
To enable the students know about MRP, MPP and VMP	Marginal physical productivity Marginal revenue productivity Value of marginal productivity	Physical productivity – marginal physical productivity; marginal revenue productivity; -Value of marginal productivity.	Diagrams showing the relationship between MPP, MRP, VMP, and MRP, ARP and MRP Diagram showing the marginal productivity theory of Factor pricing.	2
To enable the students apply their acquired knowledge to analyse the marginal productivity theory of factor pricing.	The marginal productivity theory of factor pricing and its criticism.	Marginal productivity theory of factor pricing and its criticism- a) Homogeneity of factors of production b) Existence of perfect competition c) Long-run d) Perfect mobility of factors e) Constant returns		1
To enable the students apply their knowledge to further analyse the other theories of distribution.	Theories of distribution	Theory of Rent: Ricardian theory of rent -Quasi rent; Modern Theory of Rent Theory of wages: - Wage determination diagram -Real wages and money wages -Role of trade unions -Collective bargaining and negotiations Theories of profit – Gross profit, net profit, normal and supernormal profit, windfall profit, monopoly profit, differential ability and profits, profits and innovations; risk-taking and bearing uncertainty. Theories of interest: - A passing reference to be made about classical and Marxian theories of interest; Neo-classical loanable funds theory of interest. Keynesian Theory of Interest and Modern Theory of Interest.		2 1 1 2
Chapter X Simple Theory of Income Determination				
To enable the students know the theory of income determination	The theory of income determination	Classical theory of full employment- Say's Law of Market – its' criticism. Aggregate Demand- Three components of aggregate demand- i) Consumption expenditure, ii) Investment expenditure	Diagrams showing i) Consumption and saving Curve and Break Even point. ii) Investment Curve	1 1

		iii) Govt.'s expenditure	iii) Aggregate demand and aggregate supply iv) Shifts in agg.dem. v) Savings and Investments vi) Shifts in saving and Investments.	
To encourage the students apply their knowledge of income determination- to develop skills of students to draw diagrams	Aggregate demand and aggregate supply, consumption function, investment function, Govt.'s Spending	Aggregate supply:- Meaning and definition Consumption function:- -MPC,MPS, consumption and saving curves- diagram - Slope of consumption function – APC, APS -Determination of consumption other than income. Investment Function:- Decision to invest – demand for money- investment curve Govt's Spending:- Effective demand, employment and income -Equilibrium level of income and output -Aggregate demand and aggregate demand and aggregate supply diagram -Equilibrium level of -Employment and output - diagram	Diagrams showing i) Consumption and saving Curve and Break Even point ii) Investment Curve iii)Aggregate demand and aggregate supply iv) Shifts in agg.dem, v) Savings and Investments vi)Shifts in saving and Investments	3 1 2
To encourage the students develop their understanding to analyse the shifts in aggregate demand	Shifts in aggregate demand.	Shifts in aggregate demand-diagram- savings and investment - diagram	Diagrams showing i) Consumption and saving Curve and Break Even point ii) Investment Curve iii) Aggregate demand and aggregate supply iv) Shifts in agg. dem. v) Savings and Investments vi) Shifts in saving and Investments	2
To develop the understanding of students to apply their skill	Multiplier and accelerator Interaction of multiplier and	Multiplier – meaning and definition – value of multiplier – significance and kinds of multiplier – significance and kinds of multiplier – paradox of thrift –		2

to interpret the importance of multipliers and accelerator	accelerator	unemployment Accelerator: - meaning and definition – significance of accelerator. Interaction of multiplier and accelerator		2
Chapter XI Monetary Policy				
To enable the students know the term 'money'.	Money	Definitions of money		1
To enable the students develop deep understanding about the concepts, functions of money	Functions of money, money supply	Functions of money: A store of value A medium of exchange A measure of value Importance of money and role of money in economic development Money supply – meaning M1, M2, M3, M4 Five sources which contribute to the aggregate monetary resources – No money concept- Credit cards etc. – Reserve money – Currency with the public		2
To encourage the students apply the acquired knowledge to understand the monetary policy.	Monetary policy	Monetary policy – meaning – objectives of monetary policy:- -Stability of prices -Full employment -Economic growth instruments to achieve the monetary objectives - Monetary transmission mechanism diagram -Cheap money and dear money policies -Monetary policy in action the equation of exchange	Diagrams showing the monetary transmission mechanism	6
To enable the students apply their knowledge to understand the concepts of Inflation and deflation.	Inflation and Deflation	Inflation – meaning and definitions. Kinds of inflation: walking, creeping, crawling, running, galloping, cost push, demand pull inflation Causes of inflation deficit budgeting, increase in population, increase in wages Measures to control inflation: dear money policy, credit control, Price control, Deflation – meaning, definitions		4
Chapter XII Fiscal Policy				
To enable the students know the concepts of public finance and its importance.	The concept of public finance and its' importance, taxes	Public finance- meaning- the subject matter of public finance. The role of Police States and welfare states Public expenditure, public revenue and public debt. -Taxes – meaning and definition of taxes		1
				2

		Kinds of Taxes:- -Direct, indirect, proportional, progressive, regressive, degressive -Taxes of Central govt. and State govt.		2 2
To enable the students develop understanding about the "budget"	Budget	Budget- meaning and definitions – Kinds of budget – revenue: capital, surplus, deficit; balanced, zero based; performance.		3
To encourage students understand the importance and objectives of fiscal policy.	Fiscal policy	Fiscal policy- its' importance and objectives:- full employment, economic stability, capital formation, improve distributive justice, mobilize resources etc		3
To enable the students analyse the limitations of fiscal policy.	Limitations of fiscal policy.	Limitations of fiscal policy -Size of fiscal measure -Ineffective anticyclical measure -Administrative delays -Other limitations		1

A group or individual project work can be given on the broader are "Economic Problems". The chapters prescribed in Standard XI may be of great help to select a suitable topic for the project work.

Thrust Areas:

1. Population
2. Poverty
3. Unemployment
4. Plans
5. Agriculture - Marketing, P.D.S., Consumption of manure, fertilizers and pesticides and Their impact on productivity
6. Industries - Health hazards, Pollution, Location/ Concentration of industries
7. Banking - Banks and Credit creation for agriculture and industrial activities
- Indigenous banks (unorganized banks)
- Banking Transactions
- Mobilisation of deposits
8. Foreign Trade- Trends in exports and imports
- Changes in compositions of exports and imports
9. Human Resource Development – Literacy percentage, mortality rate, fertility rate, male-female ratio, Provision of Health and Sanitation facilities, census regarding Number of schools, colleges, universities, other educational institutions, Number of hospital, doctors etc. Life span.
10. Index Numbers – Cost of living index, consumer price index, wholesale price index.

Sources of data:

World Bank Reports, Census Reports, Budget Documents, R.B.I. Bulletins, Economics Times, Five Year Plans, Columns. I. Publications, Year Books, Economic Survey of India, Bulletins of LICHF, HDFC, HUDCO, CANBANK, INDBANK, and other lending banks,