

Microeconomics

Level: Bachelor of Arts
Year: I
Code: Econ.421

Full Marks: 100
Pass Marks: 40
Teaching hrs. 150

Course objectives

After the complete of this course, students will be able to understand, explain and explore the concepts, applications and tools of micro economics in theories of demand and supply, production and its related laws, determination of price and output under various market structures, pricing of factors of production, introductory knowledge of simple general equilibrium model and economic welfare.

Units	Contents	Hrs.
I: Introduction	Central problems in economics. Microeconomics: Concept, Types of micro economic analysis: Static, Comparative static, dynamics: Goals of microeconomic policy; Efficiency and equity; Micro economic models: Concepts, Assumptions and applications. Distinction between micro economics and macro economics	10
II: Theory of Demand and Supply	Demand: Law of demand, Demand function with types, Movement and shift in demand curves, Determinants of demand. Supply: Law of supply, Supply function with types, Movement and shift in supply curves, Determinants of supply. Elasticity of demand and supply, types and its measurement (price, income and cross).	15
III: Consumer Behaviour	Utility analysis: Cardinal utility analysis: Assumption, Consumer's equilibrium, criticisms; Ordinal utility: Indifference curve and its properties, Marginal rate of substitution, budget line, Consumer's equilibrium, Income consumption curve, Price consumption curve, Price effect, Income effect and Substitution effects for Normal, Neutral, Inferior and Giffen goods; Decomposition of Price effect into Income effect and Substitution effects (Hicks and Slutsky approaches), Derivation of ordinary demand curve. Consumer's Surplus: Marshall's measurement and measurement through IC.	15
IV: Producer Behaviour	Concept of production function, Production with a single variable input - Law of variable proportion, Production with two variable inputs; Isoquant; Marginal rate of technical substitution and elasticity of substitution, Expansion path and return to scales, Product transformation curve and	15

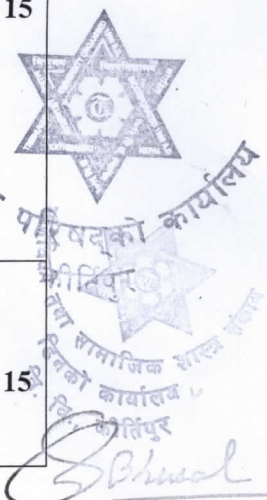
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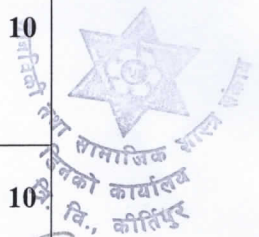


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	its properties, Producer's equilibrium. Cobb-Douglas Production Function,	
V: Costs and Revenue	Different concept of costs: Total, Marginal, and Average costs, Fixed and variable costs, Short run and Long run cost curves, marginal cost curve, Economics of scale and cost curves, shift in cost curves. Revenue: Concepts, Types, Relationship between TR, AR, and MR in competitive and imperfect markets.	15
VI: Price and Output Determination under Competitive Market	Perfect competition: Concept and features, Short and long run equilibrium in a competitive market; Supply curve of a firm and industry in short and long run; Change of technology and long run supply curve of industry.	10
VII: Price and Output Determination under Imperfect Competition Market	A: Monopoly: Concepts and features. Price and output determination in short and long run; Markup pricing; Price discriminating monopolist; Degrees of price discrimination; Welfare cost of monopoly; multi-plant and bilateral monopolist; B: Monopolistic competition: Concepts and features; Price and output determination under monopolistic competition in short and long run; Excess capacity under monopolistic competition; Monopolistic competition and role of advertising. C: Concept of duopoly and oligopoly markets.	25
VIII: Employment and Pricing of Inputs in Competitive and Imperfect Competition Markets	A: Demand curve for single variable input and several variable inputs in competitive market; Input supply; Determination of equilibrium price of factors and employment, Effect of minimum wage laws on employment, Determinants of employment. B: Input demand and supply under monopoly and monopsony markets; Determination of equilibrium price of factors and employment, Minimum wage laws and trade union, Determinants of employment.	25
IX: Theory of Factor Pricing	Rent: Modern theory. Wage: Marginal Productivity Theory, Wage differentials and its causes. Interest: Loanable Fund Theory and Liquidity Preference Theory. Profit: Dynamic Theory and Innovation Theory.	10
X: General Equilibrium and Welfare	Partial and General Equilibrium Analysis; Efficiency in production, consumption and product-mix; Concept of social welfare; Compensation criteria; social welfare function	10
Total		150



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प्राज्ञिक परिषद्को कार्यालय

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