07/01/2019

In addition to part-I (General Handout for all courses appended to the timetable) this portion gives further specific details regarding the course

Course No. : **ECON F242**

Course Title : **MICROECONOMICS**

Instructor-in-Charge **: Dushyant Kumar**

**1. Scope and objective of the course:**

***Course Rationale:***

This course extends the tools of modern microeconomic theory and discusses their application to utility and demand; production functions and cost; pricing of output under perfect competition, monopoly, oligopoly, etc.; pricing of productive services; inter-temporal decision-making; the economics of uncertainty; efficiency, equity, general equilibrium; externalities and public goods.

**Specific Objectives:**

* To provide an analytical and quantitative background in the fundamentals of microeconomic analysis.
* To explain students with the economic concepts and theories surrounding the micro topics identified above.
* To provide students with some of the recent development of microeconomics and research methods used by economists.
* To acquaint students with individuals and firms economic behavior in a context of scarcity and how it relates to the operation of markets reflecting group behavior.
* To give students opportunities to use microeconomic concepts and tools in analysis and problem solving.

The course uses the fundamental concepts of microeconomics and basic mathematic techniques to develop a theory of consumer behaviour and markets.

**2. Text Book (TB):**

Varian, Hal R.: *Microeconomic Analysis*, Viva-Norton Student Edition, 2009.

**3. Reference Book:**

**R1.** Jehle, Geoffrey A. and Philip J. Reny: Advanced Microeconomic Theory.

**R2.** Mas-Colell, Andrew, Michael D. Whinston & Jerry R Green: *Microeconomic Theory*, Oxford University Press, India, 2012.

**R3.** Snyder, Chirstopher and Walter Nicholson: *Fundamentals of Microeconomics***,** Cengage Learning, India Edition

(2008 by South-Western).

**R4.** Perloff, Jeffrey M: *Microeconomics***,** Pearson Education, Addison Wesley Longman (Singapore) Pte. Ltd., Delhi, Low Priced Edition, 2001 or Fourth Edition, 2007

**R5.** Cowell, Frank: *Microeconomics: Principles and Analysis*, Oxford University press, New Delhi, Indian Edition, 2007.

**R6.** Pindyck, Robert S & Daniel L Rubinfeld: *Microeconomics*, Prentice-Hall Inc., Upper Saddle River, New Jersey, 2001, Fifth Edition.

**4. Course Plan:**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Lecture**  **No.** | | **Learning Objectives** | | **Topics to be covered** | **Chapter in the Text Book** | |
|  | 1 | | Introduction to Microeconomics; Overview of the course, Economic Models | | Introduction:  Scope and Coverage | notes | |
|  | **Theory of Consumer Behaviour:** | | | | | | |
|  | 2-3 | | Modeling of individual behaviour; Construction of Utility functions from Preferences | | Preference relation, Axioms of Rational Choice, Utility Functions, Special consumer preferences | Ch. 7 | |
|  | 4-7 | | Determination of optimal behaviour of consumers; Utility Maximization | | Indirect Utility Function,  Expenditure Functions, Relationships between the two. | Ch. 7 | |
|  | 8-10 | | Properties of consumer demands,  Study of consumer’s behaviour changes in responses to changes in prices and income | | Relatives prices and real income , Individual Demand Curve and Compensated Demand Curve, Elasticity, Substitution and Income Effects; Slutsky Equation | Ch. 8, 9 | |
|  | 11 | | How to predict the consumer’s behaviour without specification of an explicit utility function | | Revealed Preference Theory | Ch. 8, notes | |
|  | 12-13 | | Estimating consumer’s surplus as an outcome of market mechanism | | Consumer’s Surplus | Ch. 10 | |
|  | 14-16 | | Understanding Demand Relationships among Goods | | Substitutes and Complements, Composite Commodities, Attributes of Goods and Implicit Prices | Ch. 8, 9 | |
|  | 17-20 | | Measurement of degree of risk and likely profit from risky undertaking; Decision making under uncertainty | | Choice under Risk, VNM Theorem, Risk and Insurance; Decision making  under Uncertainty | Ch. 11 | |
|  | **Theory of Production, Cost and Supply:** | | | | | | |
|  | 21-22 | | To study the nature of production function, input and output measurement; to examine the different technologies for production | | Specification of technology Production Functions, The technical rate of substitution,  Returns to Scale,  Homogenous and homothetic production function | Ch. 1 | |
|  | 23-24 | | To study the profit maximizing behavior of the firms; derivation of supply function and factor demand functions and | | Profit maximization, Profit function and its properties, Supply function, The envelope Function, Comparative statics. | Ch. 2, 3 | |
|  | 25-26 | | To study cost minimization procedure of firms and derive the cost functions, to understand the nature of short and long run cost functions. | | Analysis of cost function, Conditional factor demand functions, Algebraic approach to cost minimization, Average and marginal cost function, Factor prices and cost functions | Ch. 4 & 5 | |
|  | **Theory of Firm:** | | | | | | |
|  | 27-29 | | To study the characteristics of a perfectly competitive market; estimation of market demand and supply functions in the short run and long run; market equilibrium analysis and profit maximization | | The Partial equilibrium, Competitive  Firms and Markets | Ch. 13, | |
| 30-32 | | To study the competitive price system, General equilibrium and factor prices, introduction to welfare economics, output and efficiency determination commodity-market equilibrium; | | The General equilibrium, The First and the Second Theorem of Welfare Economics | | Ch. 17 |  |
| 33-35 | | Study of traditional theory of monopoly; price  discrimination; pricing and output determination under monopoly; welfare effects of monopoly; cost advantages; government actions; two-part tariffs | | Monopoly & Pricing, Profit Maximization, Pricing and Output Determination, Price Discrimination | | Ch. 14 |
| 36-38 | | Theories of imperfect competition; concept of Duopoly and Oligopoly; pricing and output determination in Oligopolistic competition; co-operative and non- cooperative Oligopoly models and Stackelberg model; The Cournot Solution; | | Monopolistic Competition; Pricing and Output Determination, Oligopoly models, Bertrand and Cournot Model, Stackelberg Model; | | Ch. 16,  notes |
| **Market Failures:** | | | | | | |
| 39-40 | | To examine the inefficiency of competition with  externalities; market structure and externalities;  allocating property rights to reduce externalities  To study the problems due to Asymmetric information; how ignorance about quality drives out high-quality goods | | Asymmetric Information Externalities, Commons and Public Goods | | Ch. 23, 24 & 25 |

**5. Learning Outcomes:**

**Topic 1: Introduction**

The students will be introduced to the field of microeconomics. They will get to know its applications, scope and relevance.

**Topic 2: Theory of Consumer Behaviour**

How does (or rather should) a consumer decide about his consumption basket; what are the factors that impact consumers’ decisions; how can we represent the consumption preferences of different consumers; how are the demand for two or more goods linked to each-other; how does this all analysis change when a consumer is faced with risk and uncertainty; the students will be able to analyze all these issues after going through this module.

**Topic 3: Theory of Production, Cost and Supply**

How can we represent a production process through the production function, how does different inputs impact the output; given the production function and input prices, how should we choose the output level, what are the conditions that govern the profit maximization and the cost minimization; the students will be able to analyze all these issues after going through this module.

**Topic 4: Theory of Firm**

How does a firm operate under different market conditions; what role does competition plays in determine market outcome; why is monopoly considered to be ‘bad’; what are the properties of a competitive market, what conditions do we need to achieve it; what are some of the oligopolistic market forms, what are their properties; the students will be able to analyze all these issues after going through this module.

**Topic 5: Market Failures**

What happens when production and consumption of one goods impact production and consumption of another good (like consider a factory emitting heavy smoke which negatively impact nearby residents as well as other firms), how does market work in these cases; what happens when firms don’t know employee productivity (type) and/or can’t monitor employee’s work (effort), how does it impact firm-employee relationship, the students will be able to analyze all these issues after going through this module.

**6. Evaluation Scheme:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| EC No. | Evaluation Component | Duration | Weightage | Date & Time | Nature of  Component |
| 1 | Mid-sem | 90 mts | 30 | 15/3  1.30 -3.00 PM | OB |
| 2 | Quizzes- (02) | - | 15 |  | CB |
| 3 | Assignment- (02) | - | 15 |  | **OB** |
| 4 | Comprehensive Examination | 3 hrs | 40 | 11/05 FN | **CB** |

**7. Chamber Consultation hours: to be announced in class**

**8. Notices:** Notices would be displayed on **CMS**

**9. Make-up policy**

Make‑up will be given only on Doctor’s/Warden’s recommendation and with prior (at least 01 day before the test/exam) permission of the Instructor-in-Charge/Instructor. Request for make-up made by phone/sms or during/after the test/exam would NOT be entertained at all. If a student is representing the Institute in a seminar/conference/sports event etc., they need to produce a valid proof of the same to apply for make-up.

**10. Academic Honesty and Integrity Policy:** Academic honesty and integrity are to be maintained by all the students throughout the semester and no type of academic dishonesty is acceptable.

**Instructor-in-Charge**

**ECON F242**