

Semester III
B.A. (Honours) Economics
C 5: ESSENTIALS OF MICROECONOMICS (6 Credits)
Full marks: 100 (Mid Term-20 + End Term-80)

Course Description

The course is designed to provide a sound training in microeconomic theory to formally analyze the behaviour of individual agents. Since students are already familiar with the quantitative techniques in the previous semesters, mathematical tools are used to facilitate understanding of the basic concepts. This course looks at the behaviour of the consumer and the producer and also covers the behaviour of a competitive firm.

Units		No of Lecture hours	No of Tutorial hours	Marks
1	Consumer Theory I: Preferences and Utility: Axioms of Rational Choice, Utility, Trades and Substitutions, Indifference Curves, Utility Functions for Specific Preferences, The Many-Good case; Utility Maximization and Choice: The Two-Good Case (Graphical Analysis), The n-Good Case, Indirect Utility Function, The Lump Sum Principle, Expenditure Minimization, Properties of Expenditure Function.	15	3	16
2	Consumer Theory II: Income and Substitution Effects of Price Change under Normal, Inferior and Giffen goods under Hicksian and Slutsky's method; Slutsky's equation, Compensated and ordinary demand curves; buying and selling; choice under risk and inter-temporal choice; revealed preference theory.	15	3	16
3	Production Theory Technological relationship between outputs and inputs, Basic Concepts: TP, AP, MP, Isoquants, properties of isoquants, Isoquant map, Marginal Rate of Technical Substitution, Elasticity of Substitution, Expansion path, returns to scale; Production with One Variable Input (labour) and with Two-Variable Inputs; Special cases of Production Functions -Linear, Fixed Proportions, Cobb-Douglas, CES; Production function and technical Progress; Multiple products: the production transformation curve.	15	3	16
4	Cost Functions Definition and types of Costs, Cost Functions and its Properties, Shift in Cost Curves; Cost in the Short-Run and Long-Run; Long-Run versus Short-Run Cost Curves; the relationship between short run and long run cost curves; Impact of Economies and diseconomies of scale; Production with Two Outputs – Economies of Scope.	15	3	16
5	Perfect Competition The Nature and Behaviour of Firms, Profit Maximization rule; Perfect competition: meaning and characteristics; perfect vs pure competition; Short run and long run	15	3	16

	equilibrium in a competitive industry; Zero profit in long run competitive equilibrium; Short-Run Supply by Price-Taking Firm, Profit Functions and its Properties, Profit Maximization and Input Demand – Single-Input Case and Two-Input Case.			
Total		75	15	80

Reading List

1. H. R. Varian (2010): Intermediate Microeconomics: A Modern Approach, 8th Edition, W.W. Norton and Company/Affiliated East-West Press (India). The
2. C. Snyder and W. Nicholson (2012): Microeconomic Theory: Basic Principles and Extensions, 11th Edition, Cengage Learning, Delhi, India.
3. R. S. Pindyck, D. N. Rubinfeld and P. L. Meheta (2009): Microeconomics, 7th Edition, Pearson, New Delhi.
4. G.S. Maddala and Ellen Miller, Microeconomics: Theory and Applications, Mc Graw Hill Education, Tenth Reprint, 2013, New Delhi Edition.