

Microeconomic Theory

Course Code: **TECO2C004T**

Course Title: **Microeconomic Theory**

Semester: **IV**

Credits: **04**

Rationale

The course is designed to equip students with the knowledge and understanding of the principles of Economics that apply to the decision making at the micro level of an individual firm or industry in various market structures. The course not only provides theoretical frameworks but also encourages critical thinking and application of these concepts to real-world scenarios.

Course Outline

Contents	No. of Lectures
Unit-I: Consumer Behaviour Price, Income & Substitution effects. Hicks and Slutsky theorem. Compensated demand curves and their applications. Samuelson's theory of revealed preference. Consumer's surplus: Marshallian and Hicksian measures	10
Unit-II: Theory of Production Laws of Production: Returns to Scale, Law of Variable Proportions, Production function: Homogeneity, Two-inputs production function: Cobb Douglas Production Function, Constant Elasticity of Substitution and Variable Elasticity of Substitution, Production function of a multiproduct firm.	10
Unit-III: Theory of Costs Traditional theory of cost: short run and long run costs (The envelope curve). Modern theories of costs – Short run and long run costs (The L-Shaped scale curve). The analysis of Economies of scale: Real and Pecuniary Economies, Derivation of cost functions from production functions	10
Unit-IV: Market Forms Perfect Competition – short & long run equilibrium of the firm & industry. Monopoly: Equilibrium of the Monopolist, Price discrimination; Monopoly Regulation. Monopolistic competition: equilibrium of the firm. Theory of Excess Capacity. Non-collusive oligopolistic models of Cournot; Bertrand, Stackelberg, Chamberlin and Sweezy (Kinked demand curve).	10
Unit V: Economics of Uncertainty Distinction between Risk and Uncertainty, Individual Behaviour towards Risk, Expected Utility and Uncertainty Equivalence Approaches; Economics of Insurance, Risk Pooling and Risk Spreading, Economics of information - Lemons problem.	10

Course Outcomes

Upon successful completion of the course, the candidates will be able to

5. Apply economic theories and models to analyse individual and firm behaviour, production processes, and market structures.
6. Develop critical thinking by evaluating economic theories, production functions, and cost structures critically.
7. Evaluate the efficiency and competitiveness of the markets.
8. Develop skills in risk assessment, expected utility analysis, and their economic implications, preparing them for real-world decision-making scenarios.

Text Books

3. Koutsoyiannis, A. (1980): *Microeconomic Theory*, MacMillan.
4. Henderson, J. and R.A. Quandt (1984): *Microeconomic Theory*, McGraw Hill, Tokyo.

Suggested Readings:

1. Baumol, W.J. (1985): *Economic Theory and Operations Analysis*, Prentice Hall.
2. Lancaster, K. (1972): *Consumer Demand: A New Approach*, CUP, NY.
3. Layard, P.R.G. and A.A. Walters (1978): *Microeconomic Theory*, McGraw Hill, NY.
4. Sen, A. (1999): *Microeconomics: Theory and Applications*, OUP, ND.
5. Shepherd, R.W. (1970): *Theory of Cost and Production Functions*, Princeton Univ. Press, N.J.
6. Varian, H. (2000): *Intermediate Microeconomics: A Modern Approach* (5e), Affiliated East-West Press.
7. Varian, H. (2000): *Microeconomic Analysis*, W.W. Norton, NY.