



Semester I
ECODSC- 101
Introductory Microeconomics
Total Credits: 3
Teaching Hours: 45 hours

Course Description:

The course is designed to introduce the students with the basic microeconomic thoughts and theories. The course would help students to understand fundamental concepts of economics and its subject matters. Students are expected to know the law of demand and supply and how market price is determined. They are expected to develop skill for analysing market equilibrium with the help of diagrams. They would understand consumer's optimal behaviour using utility analysis. The learners are expected to know about the laws of production, cost and revenue and their respective roles in determining optimal behaviour of a producer. They would also be able to learn and distinguish between perfectly competitive and monopoly markets.

Course Outcome:

After finishing the course students are expected to develop some basic understanding of economic principles and be able to relate the microeconomic theories with individual economic behaviour in the real-life situation.

Unit 1: Exploring the subject matter of Economics

What economics is all about? Significance of studying economics, subject matter/scope and method of economics, positive and normative economics, Microeconomics vs Macroeconomics, scarcity, choice and opportunity cost, production possibility frontier as an analytical tool, central problem of an economy, market in microeconomics: meaning and its classification.

Unit 2: Demand and Supply: How markets work

Law of demand and its exceptions, determinants of demand, demand curve, movement along a demand curve vs shift in demand curve, snob, Veblen and bandwagon effect, concept of normal, inferior and Giffen goods; the law of supply, determinants of supply, movement along supply curve vs shift in supply curve, determination of market equilibrium and impact of change in demand and supply, elasticity of demand and supply, and their measurement.

Unit 3: Consumer Behaviour:

Concept of utility: Cardinal vs ordinal utility, law of diminishing marginal utility, cardinal utility and optimum choice, law of equi-marginal principle, concept of consumer surplus, indifference curve, indifference map, budget set and budget constraint, consumer's optimum choice, income and substitution effect (Hicks and Slutsky), Derivation of demand curve from indifference curve.



Unit 4: Theories of Production, Cost and Revenue

Production function: short run and long run, law of variable proportion, returns to a factor vs returns to scale, isoquant and iso-cost line, producer's equilibrium with isoquant and iso-cost line: maximisation of output and minimisation of cost.

Cost: Cost in the short run and long run, fixed cost vs variable cost, relationship among cost curves, cost curve and supply curve of firm and industry.

Revenue: concept of revenue: average, marginal and total revenue, relationship among average revenue, marginal revenue and elasticity.

Unit 5: Supply Decisions under Perfect competition and Monopoly

Meaning and features of perfect competition, pure vs perfect competition, short run and long run equilibrium of firm and industry under perfect competition

Concept of monopoly, price output determination under monopoly, price discrimination and its types, social cost of monopoly

Suggested Readings:

1. Koutsoyiannis, A. *Modern microeconomics*, ELBS with Mcmillan, Hong Kong.
2. Dominick Salvatore: *Principles of Microeconomics*, Oxford, New Delhi.
3. N. Gregory Mankiew: *Economics: Principles and Applications*, Indian edition by South Western, a part of Cengage Learning, Cengage Learning India Private Limited, 4th edition, 2007.
4. Karl E. Case and Ray C. Fair, *Principles of Economics*, Pearson Education Inc., 8th Edition, 2007.
5. Pindyck Robert S. and Rubinfeld Daniel L.: *Microeconomics*, Eighth Edition, Pearson