

Semester IV
ECODSC – 251
Intermediate Microeconomics
Total Credits: 3
Teaching Hours: 45 hours

Course Description:

Intermediate Microeconomics is designed to develop the analytical skills of the learners with the application of quantitative and graphical tools. The contents demand critical analysis of various concepts of microeconomics. The syllabus covers intermediate topics of microeconomics comprising consumer behaviour, producer behaviour, factor market and welfare economics. The course is an advancement of Introductory Microeconomics learnt in the first semester.

Course Outcome:

After completion of the course, the students will learn various microeconomic analytical tools. Using these tools, they will be better able to understand microeconomic issues and can apply the knowledge in solving microeconomic problems. The learners will better understand trade-offs in decision-making and consumer and producer behaviour. They would be able to relate theoretical knowledge to the problems of the practical business world.

Unit 1: Consumer Behaviour

Ordinary vs compensated demand curve, derivation of ordinary and compensated demand function, indirect utility, income and substitution effect of normal and inferior goods, application of indifference curve: labour – leisure trade off, cash subsidy vs food transfer, Revealed preference theory.

Unit 2: Cost and Production Function

Homogenous and homothetic production function, Cobb-Douglas and C.E.S. production function, elasticity of factor substitution, expansion path, derivation of cost function from production function.

Unit 3: Supply decision in imperfect competition:

Price output determination under monopolistic market, collusive vs non-collusive oligopoly, Cournot, Bertrand and Stackelberg's model, Kinked demand curve, concept of collusive oligopoly, introduction to game theory in understanding duopoly market (two-person zero sum game).

Unit 4: Factor Market:

Marginal productivity of a factor: marginal physical product, marginal revenue product and value of the marginal product, marginal productivity theory of factor pricing, equilibrium of a firm in the factor market under perfect competition, factor market equilibrium under imperfect competition, exploitation of labour and minimum wage bill.

Unit 5: Welfare Economics

Nature of welfare economics, Pigouvian welfare criterion, Pareto optimality criterion, Kaldor-Hicks compensation criterion, Social welfare function.

Suggested Readings:

1. G.S. Maddala and Ellen Miller, Microeconomic – theory and applications, Tata Mcgraw Hill.
2. A. Koutsoyiannis, Modern Microeconomics, Second Edition, Macmillan publications.

3. James M. Henderson and Richard E. Quandt, Microeconomic Theory, A Mathematical Approach, Third Edition, McGraw Hill Education.
4. Hal R. Varian, Intermediate Microeconomics: A Modern Approach, eight edition, Affiliated West Press, WW Norton & Company.
5. Bernheim Douglas and Whinston Michael, Microeconomics, Second Edition, McGraw Hill Education.

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