

Semester IV
ECODSM – 251/252
Principles of Microeconomics
Total Credits: 3
Teaching Hours: 45 Hours

Course Description:

The course is the continuation of the basic concepts of Microeconomics that students learnt in Semester I and Semester II in DSM paper. As the students are familiar with concepts of demand, supply, equilibrium, production, cost and revenue, they can apply these concepts in understanding functioning of the market system, different market structures, issues related with factors markets, factor pricing and policy and welfare economics and policy evaluation. The course aims to make students familiar with market and market structure, input markets and input pricing, welfare economics and social choice.

Course Outcome:

They students will be able to understand and analyze the economic problems in real world today. They will be able to understand how markets work (both product and factor market), why markets fail, why government intervention is necessary. They can evaluate the economic policy decision using concepts of welfare economics.

Unit 1: The Firm and Perfect Market Structure

Objectives of firms, behaviour of profit maximizing firms and the production process, market and classification of market structures, perfect competition: short run and long run equilibrium, economic efficiency and perfect competition.

Unit 2: Imperfect Market Structure

Monopoly, price discrimination, monopolistic competition: price and output determination, oligopoly, government intervention.

Unit 3: Theory of Factor Pricing (A)

Land and Labour markets: Basic concepts (derived demand, productivity of an input, marginal revenue product), marginal productivity theory of distribution (wage), concept of rent, Ricardian theory of rent, Modern theory of rent.

Unit 4: Theory of Factor Pricing (B)

Capital, investment and depreciation, Classical Theory of Interest, Keynes's Liquidity Preference Theory of Interest, Risk, Uncertainty and Profits.

Unit 5: Basics of Welfare Economics

Welfare Economics: concepts, individual welfare and social welfare, value judgements, Pigovian welfare economics, Pareto Optimality: concept and conditions, social welfare function, externalities, public goods.

Suggested Readings:

1. Case, Karl E. & Ray C, Fair, Principles of Economics, Person Education, Inc, 8th edition, 2007
2. Mankiw, N. Gregory, Principles of Microeconomics, CENGAGE Learning Custom Publishing; 8th edition, 2016
3. Dwivedi D. N., Microeconomics: Theory and Policy, Tata McGraw-Hill, 2005

4. Koutsoyiannis, A. Modern Microeconomics (2nd ed.), ELBS with Macmillan, Hong Kong
5. Hall R. Varian, Intermediate Microeconomics: A Modern Approach, 8th edition, Springer (India) Pvt. Ltd.
6. Anindya Sen: Microeconomics, Oxford

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