

**Semester VII**  
**ECODSC – 401**  
**Microeconomic Analysis**  
**Total Credit: 4**  
**Teaching Hours: 45 hours**

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**Course Description:**

This course incorporates important theories and advances in the field of microeconomic analyses. The course encompasses microeconomic issues of consumer and producer's behaviour, marginalist controversies and intertemporal choice. The objectives of the course are to make the learners understand and analyse microeconomic theories and issues, and also to insist the learners to involve in high order thinking.

**Course Outcome:**

After successful completion of the course, the students are expected to develop conceptual issues in the field of consumer and producer's behaviour, guiding principles of optimisation. The students are likely to develop analytical skills and problem-solving methods in the field of microeconomic theories and issues.

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**Unit 1: Theory of Consumer Behaviour**

Indifference Curve analysis: Axioms and Consumer Equilibrium; Decomposition of Price Effect: Slutsky vs Hicksian approach; Violation of the premises of the indifference curves analysis; Consumer Surplus: Marshallian vs. Hicksian Approach  
Revealed Preference Approach: The Strong and Weak Ordering; Derivation of Demand Curve; Recent Developments in Theory of Demand: Indirect Utility Function – Roy's Identity; Dual Properties of Utility and Expenditure Functions; Inverse Demand Functions – Linear Expenditure System.

**Unit 2: Theory of Production and Cost**

Production Function of a Single Product Firm: Basic Concepts, Stages of Production, Iso-quants-Properties, Cobb-Douglas and CES production functions, and Properties; Output maximisation and cost minimisation, Derivation of Cost Functions from Production Functions, Expansion Path and Factor Substitution; Returns to Scale. Total, average and marginal Cost curves and their features, Traditional and Modern theories of cost.

**Unit 3: Theory of the Firm and Market**

Perfect competition: Short run and long run Equilibrium of the Firm and Industry; Derivation of Supply Curve. Monopoly: Short run and long run Equilibrium; Price Discriminations, Bilateral monopoly, Monopoly Control and Regulations; Monopolistic Competition – features and criticism  
Oligopoly Market: Duopoly, Collusive vs. Non-Collusive Oligopoly; Collusive Oligopoly Models: Cartels and Price Leadership Model.

**Unit 4: Alternative Theories of the Firm**

The Marginalist Controversy; Average Cost Pricing Theory, Limit Pricing Theory – Bain's Limit Pricing Theory and its recent Developments; Sylos-Labini and Modigliani's model.  
Baumal's theory of sales revenue maximization: Static and Dynamic model. Williamson's model of managerial discretion, Morris model of managerial enterprise.

### **Unit 5: Inter-temporal Choice**

Inter-temporal choice – two period utility analysis, Present value and future value. Lending-Borrowing Equilibrium, Saving- Investment Equilibrium, Investment Decisions, Determinants of Interest Rates/Cost of Debt, Cost of Capital, Risk Free Rate Plus Premium, The CAPM Model

#### **Essential Readings**

1. Koutsoyiannis, A.: Modern Microeconomics (2nd ed.).
2. Varian, H., Microeconomic Analysis.
3. Gravelle and Rees, Microeconomics.
4. Quirk and Saposnik, General Equilibrium and Welfare Economics.
5. Domonick Salvatore, Microeconomics Theory and Application.
6. G. S. Madala and Ellen Miller, Microeconomic Theory and Applications.

#### **Additional Readings**

1. Kreps, David M., A Course in Microeconomic Theory

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<https://www.elearninginfo.in>