

CORE COURSE – I - MICRO ECONOMIC ANALYSIS – I

Module-1 : Demand Analysis

Utility theory – Ordinal approach - Indifference curve (income and substitution effects, Slutsky theorem, compensated demand curve) and their applications; Revealed preference theory; Revision of demand theory by Hicks; Characteristics of goods approach (Lancaster); consumer's choice involving risk (N-M hypothesis) – Friedman-Savage, Markowitz hypotheses; indirect utility functions (duality theory); Recent developments in demand analysis (pragmatic approach and linear expenditure systems); Inter-temporal consumption; Recent developments in demand; Elementary theory of price formation – demand and supply equilibrium; Cobweb theorem; lagged adjustment in interrelated markets.

Module-2 : Theory of Production and Costs

Production function – short period and long period; law of variable proportions and returns to scale; Isoquants – Least cost combination of inputs; Returns to factors; Economies of scale; Multi-product firm; Elasticity of substitution; Euler's theorem; Technical progress and production function; Cobb-Douglas, CES, VES and Translog production functions and their properties; Empirical work on production functions; Traditional and modern theories of costs – Empirical evidence; Derivation of cost functions from production functions; derived demand for factors.

Module - 3 : Price and Output Determination – Perfect competition and Monopoly

Marginal analysis as an approach to price and output determination: perfect competition – short run and long run equilibrium of the firm and industry, price and output determination, supply curve; Monopoly – short run and long run equilibrium, price discrimination, welfare aspects, monopoly control and regulation.

Module - 4 : Monopolistic Competition and Oligopoly Models

Monopolistic competition – general and Chamberline approaches to equilibrium, equilibrium of the firm and the group with product differentiation and selling costs, excess capacity under monopolistic and imperfect competition, criticism of monopolistic competition; Oligopoly – Non-collusive (Cournot, Bertrand, Edgeworth, Chamberlin, kinked demand curve and Stackelberg's solution) and collusive (Cartels and mergers, price leadership and basing point price system) models; Price and output determination under monopsony and bilateral monopoly; Workable competition – Structure, conduct and performance norms – Concept of Contestable Market and global competition (Baumol).

Module - 5 : Alternative Theories of the Firm

Critical evaluation of marginal analysis; Baumol's sales revenue maximization model; Williamson's model of managerial discretion; Marris model of managerial enterprise; Full cost pricing rule; Bain's limit pricing theory and its recent developments including Sylos-Labini's model; Behavioural model of the firm; Game theoretic models.

Reference:

1. Kreps, David M. (1990), A Course in Microeconomic Theory, Princeton University Press, Princeton.
2. Koutsoyiannis, A. (1979), Modern Microeconomics, (2nd Edition), Macmillan Press, London.
3. Layard, P.R.G. and A.W. Walters (1978), Microeconomic Theory, McGraw Hill, New York.
4. Sen, A. (1999), Microeconomics : Theory and Applications, Oxford University Press, New Delhi.
5. Stigler, G. (1996), Theory of Price, (4th Edition), Prentice Hall of India, New Delhi.
6. Varian, H. (2000), Microeconomic Analysis, W.W. Norton, New York.
7. Baumol, W.J. (1982), Economic Theory and Operations Analysis, Prentice Hall of India, New Delhi.
8. Hirshleifer, J. and A. Glazer (1997), Price Theory and Applications, Prentice Hall of India, New Delhi.
9. Da Costa, G.C. (1980), Production, Prices and Distribution, Tata McGraw Hill, New Delhi.
10. Salvatore, Dominick (1991), Micro Economic Theory, 3rd Edition, McGraw Hill, New Delhi.