| Semester | I |
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| Paper Number | **MECO4101** |
| Paper Title | **Microeconomics-I** |
| No. of Credits | 6 |
| Theory/Composite | Theory |
| No. of periods assigned | 6 Theory |
| Course description/objective | To provide advanced knowledge of microeconomic theory and its applications and to provide the students the knowledge of utility maximization problem of a consumer along with concepts of compensating variation, equivalent variation, duality in consumption using a mathematical approach. Another objective is to expose students to the concept of general equilibrium analysis with the help of exchange economy, Pareto optimality to provide the knowledge of public goods and externalities problem and how to find solutions to such problems. |
| Syllabus | **Module 1 (30 marks)**<br>**Consumer Behaviour**<br>Choice of a representative consumer – Duality approach - Indirect Utility Function, Expenditure Function - Consumer surplus, Equivalent and compensating variation - revealed preference; Uncertainty- Concept of lotteries, Expected utility, Measures of risk aversion, the demand for insurance.<br><br>**Module 2 (20 marks)**<br>**Theory of the Firm and the Competitive Market**<br>Cost minimization –Shephard's Lemma and Properties of Cost function and Conditional factor demand functions; Profit maximization- Profit function and its properties, Hotelling's Lemma and properties of factor demand functions; The competitive firm – market equilibrium — taxes and subsidies, behaviour of firm under uncertainty.<br><br>**Module 3 (30 marks)**<br>**General equilibrium and Welfare Economics**<br>The exchange economy – Equilibrium (Existence, uniqueness, stability) – Pareto Optimality-concept of core - Core equivalence theorem. One consumer one producer Economy<br>The Production Model- fixed and flexible coefficients – relation between endowments and product mix – relation between commodity prices and factor prices.<br>Fundamental theorems of welfare economics; Public goods: Efficient provision of a discrete public good and a continuous public good, Externalities and solution to externalities problem. |
| Readings | • Varian H. (2009) - Microeconomic Analysis, 3rd Edition, Viva Books Pvt. Ltd.<br>• Anjan Mukherji: An Introduction to General Equlibrium Analysis.<br>• Avinash Dixit: Optimization in Economic Theory<br>• Kreps: A course in microeconomic theory<br>• Jones (1965) The Structure of Simple General Equilibrium |

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| | Models *Journal of Political Economy* Vol. 73, No. 6, pp. 557-572<br>• Mas-Colell, Whinston and Green(2012):Microeconomics Theory, Oxford University Press. | | | |
| Evaluation | Continuous Internal Assessment: 20 marks<br>End- Semester Theory Examination: 80 marks | | | |
| Paper Structure for End Sem Theory | Module | No. of Questions to be Answered | No. of Alternatives | Marks |
| | Module 1 | 2 | 3 | 15 x 2 = 30 |
| | Module 2 | 2 | 3 | 10 x 2 = 20 |
| | Module 3 | 2 | 3 | 15 x 2 = 30 |
| | Total Marks | | | 80 |