

Department	Economics	Class	I – M.A.		Semester	I
Course Title	Advanced Micro Economics - I	Hours	Credit	CIA	External	Total
Course Code	18P1VMC1	90	4	25	75	100

Objectives

1. To understand and apply demand theory into the practical world
2. To obtain knowledge and skill about different production laws and technique
3. To have an idea about Price-Output determination under different market situations

Learning Outcome

Develops the skill to determine the level of consumption, homogeneity of production function and pricing of output

Unit – I Cardinal and Ordinal Utility Analysis

(18 hours)

Meaning of cardinal and ordinal utility – Law of diminishing marginal utility – Principle of Equi-marginal utility – Indifference curve analysis: Price effect, Income effect, Substitution effect, Combined effect by Hicks and Slutsky – Revealed preference theory of demand – Hicks logical ordering theory of demand – Neuman-Morgenstern method of constructing utility index.

Unit – II Consumer’s Surplus and Elasticity of Demand

(18 hours)

Consumer’s surplus and the law of diminishing marginal utility – Hicks concept of consumer’s surplus- Practical utility of consumer’s surplus – Law of demand and elasticity of demand – Types - Measurement - Factors– Relationship among price, income and cross elasticity of demand.

Unit – III Production Function Analysis

(18 hours)

Meaning of production function - The law of variable proportions - The law of returns to scale – Iso-cost curves - Iso-quants Vs Indifference curves – Producer’s equilibrium (least cost combination) – Isoquants and returns to scale - Linear homogeneous production function – Cobb-Douglas production function – CES production function and their properties.

Unit – IV Cost, Revenue Analysis and Perfect Competition

(18 hours)

Cost concepts: TFC, TVC, TC, AFC, AVC, AC and MC – Cost curves in the short run and long run – Revenue concepts: TR, AR and MR – Significant relationship between AR and MR curve – Revenue curves under perfect and imperfect competition – Price and output under perfect market both in the short run and long run for the firm and industry.

Unit – V Pricing in Imperfect Market

(18 hours)

Price and output equilibrium under monopoly: short run and long run – Price discrimination: Degrees of price discrimination – Price-output equilibrium under monopolistic competition (firm), Chamberlin's excess capacity under monopolistic competition – Duopoly: Cournot model, Chamberlin model and Edgeworth model – Oligopoly: Price leadership by low cost and dominant firm, Collusive oligopoly with cartel and Kinked demand curve theory.

Text Books

1. H.L.Ahuja, “**Advanced Micro Economic Theory**”, 2006, S.Chand & Company Ltd., New Delhi.
2. M.Maria John Kennedy , “**Advanced Micro Economic Theory**”, 2012, Himalaya Publishing House, Mumbai.
3. K.K.Dewett and M.H.Navalur, “**Modern Economic Theory**”, 2015, S.Chand & Company Ltd., New Delhi.

References

1. Jack Hirschleifer, “**Price Theory and Applications**”, 1980, Prentice Hall of India, New Delhi.
2. A.Koutsoyiannis, “**Modern Micro Economics**”, 1979 & 1983, Mac Millan, London.
3. Jhingan M.L. “**Advanced Economic Theory**”, 2016, Vrindha Publications Pvt. Ltd. Delhi.
4. J.Cyril Kanmony, “**Advanced Micro Economics**”, 2016, Himalaya Publishing House, Mumbai.

Websites / e-books

1. David A.Dilts, “**Introduction to Micro Economics**”, <http://www.ebooks-for-all.com/bookmarks/detail/Introduction-to-Microeconomics/onecat/Electronic-books+Economics-and-Business+Microeconomics>
2. Sanjay Rode, “**Modern Micro Economics**”, <http://bookboon.com/en/modern-microeconomics-ebook>