Annexure-5

Principles of Microeconomics I

- **Course Code** : ECON025
- **Course Abbreviation** : PMIC1
- **Credits**: 4
- **Duration (per week)**: 4 hours (3 lectures+1 tutorial)
- **Course Objectives**:

  This course discusses the basic principles in Microeconomics and their applications. It includes consumer's problem, demand estimation, production function, cost functions and market analysis. It illustrates how the concepts of microeconomics can be applied to analyze real-life economic situations.
- **Course Learning Outcomes**:

  The students learn some basic principles of microeconomics of consumer and producers, and interactions of supply and demand, characteristics of perfect competition, efficiency and welfare outcomes.
- **Content (Unit-wise)**:

Unit 1: Introduction

Problem of scarcity and choice: scarcity, choice and opportunity cost; production possibility frontier; economic systems. Demand and supply: law of demand, determinants of demand, shifts of demand versus movements along a demand curve, market demand, law of supply, determinants of supply, shifts of supply versus movements along a supply curve, market supply, market equilibrium. Applications of demand and supply: price rationing, price floors, consumer sur- plus, producer surplus. Elasticity: price elasticity of demand, calculating elasticity, determinants of price elasticity, other elasticities

Unit 2: Consumer Theory

Budget constraint, concept of utility, diminishing marginal utility, Diamond-water paradox, income and substitution effects; consumer choice: indifference curves, derivation of demand curve from indifference curve and budget constraint.

Unit 3: Production and Costs

Production: behaviour of profit maximising firms, production process, production functions, law of variable proportions, choice of technology, isoquant and isocost lines, cost minimizing equilibrium condition

Costs: costs in the short run, costs in the long run, revenue and profit maximization, minimizing losses, short run industry supply curve, economies and dis- economies of scale, long run adjustments

Unit 4: Perfect Competition

Assumptions: theory of a firm under perfect competition, demand and revenue; equilibrium of the firm in the short run and long run; Long run industry supply curve: increasing, decreasing and constant cost industries.

Welfare: allocative efficiency under perfect competition.

- **Suggested Readings**
  - Mankiw, N. G. (2018). *Principles of Microeconomics* 8th ed.
  - Frank, R. H., & Cartwright, E. (2010). *Microeconomics and behavior*. New York: McGraw-Hill.
  - Bernheim, B., Whinston, M. (2009). *Microeconomics*. Tata McGraw-Hill.
- *Course Assessment*: Internal Assessment - 25, Final Examination - 75