

Paper 01: INTRODUCTORY MICROECONOMICS

Course Description

This course is designed to expose first-year students, who may be new to economics, the basic principles of microeconomic theory. The emphasis will be on thinking like an economist and the course will illustrate how microeconomic concepts can be applied to analyse real-life situations.

Course Outline

1. Exploring the subject matter of Economics

Why study economics? The scope and method of economics; scarcity and choice; questions of what, how and for whom to produce and how to distribute output; the basic competitive model; prices, property rights and profits; incentives and information; rationing; opportunity sets; economic systems; reading and working with graphs.

2. Supply and Demand: How Markets Work, Markets and Welfare

Individual demand and supply schedules and the derivation of market demand and supply; shifts in demand and supply curves; the role prices in resource allocation; the concept of elasticity and its application; consumer and producer surplus; taxes and their efficiency costs

3. Households

The consumption decision: preferences and their representation with indifference curves; budget constraints; a consumer's optimum choice; income and substitution effects; labour supply and savings decisions.

4. Firms and Perfect Market Structure

Behaviour of profit maximizing firms and the production process; short-run costs and output decisions; costs and output in the long run.

5. Imperfect Market Structure

Monopoly and anti-trust policy; government policies towards competition; imperfect competition.

6. Input Markets

Labour and land markets; concepts of derived demand, input productivity and marginal revenue product and input demand curves; competitive input markets and public policy.

Readings

1. Karl E. Case and Ray C. Fair, *Principles of Economics*, Pearson Education, Inc., 8th edition, 2007.
2. N. Gregory Mankiw, *Economics: Principles and Applications*, India edition by South Western, a part of Cengage Learning, Cengage Learning India Private Limited, 4th edition, 2007.
3. Joseph E. Stiglitz and Carl E. Walsh, *Economics*, W.W. Norton & Company, Inc., New York, International Student Edition, 4th edition, 2007.

UNIVERSITY OF DELHI
DELHI SCHOOL OF ECONOMICS
DEPARTMENT OF ECONOMICS

Minutes of Meeting

Subject: B.A. (Hons) Economics, First Semester (2011)

Course: 01 (Introductory Microeconomics)

Date of Meeting: Monday 25th July 2011, 3:00 pm

Venue: Department of Economics, Delhi School of Economics, University of Delhi

Convenors: Dr. Shreekant Gupta and Dr. Ram Singh

Attended by:

1. Mohini Aggarwal, Rajdhani College
2. Punam Tyagi, Kalindi College
3. Pooja Khanna, Daulat Ram College
4. Vishnu Kanta Purohit, Indraparstha College
5. Supritio Mishra, Shyam Lal College
6. Asha Tikku, Kamala Nehru College
7. Manjit Kaur, Shyama Prasad Mukherjee College
8. Anand Kumar, College of Vocational Studies
9. Rashmi Mittal, Dyal Singh College (Morning)
10. Ruchi Gupta, Dyal Singh College (Morning)
11. Basanti Nayak, Satyawati College (Morning)
12. Malabika Pal, Miranda House
13. Meeta Kumar, Miranda House
14. Leema Paliwal, St. Stephen's College
15. N. Manichandra Singh, Ram Lal Anand College (Evening)
16. Abdul Rasheed Ch., Hindu College
17. Jayashree Sahoo, Lady Shri Ram College
18. Kakali Barua, Lady Shri Ram College

The following texts were agreed upon:

1. **N. Gregory Mankiw (2007), *Economics: Principles and Applications*, 4th edition, India edition by South-Western, a part of Cengage Learning, Cengage Learning India Private Limited, ISBN-13:978-81-315-0577-9 (hereafter Mankiw, 2007, 4e).**
2. **Karl E. Case and Ray C. Fair (2007), *Principles of Economics*, 8th edition, Pearson Education Inc., ISBN 81-317-1587-6.(hereafter Case & Fair, 2007, 8e).**

3. **Joseph E. Stiglitz and Carl E. Walsh (2006), *Economics***, International Student Edition, 4th Edition, W.W. Norton & Company, Inc., New York, ISBN 0-393-92622-2. (hereafter Stiglitz & Walsh, 2006, 4e).

Topic wise Readings:

1. ***Exploring the subject matter of Economics:*** Why study economics? Scope and method of economics; The economic problem: Scarcity and choice; the question of what to produce, how to produce and how to distribute output; Science of economics; The basic competitive model; Prices, Property rights and Profits; Incentives and information; Rationing; Opportunity sets; Economic systems; Reading and working with graphs (*de-emphasise*)

Stiglitz & Walsh, 2006, 4e, Chapters 1 & 2—Ch. 1: Modern Economics, pp. 3-22; Ch. 2: Thinking like an Economist, pp. 25-46.

2. ***Supply and Demand: How Markets Work, Markets and Welfare:*** Markets and competition; Determinants of individual demand/supply; Demand/supply schedule and demand/supply curve; Market versus individual demand/supply; Shifts in the demand/supply curve, demand and supply together; How prices allocate resources; Elasticity and its application; Controls on prices; Taxes and the costs of taxation; Consumer surplus, producer surplus and the efficiency of the markets.

Mankiw, 2007, 4e, Chapters 4, 5, 6, 7 & 8—Ch. 4: The Market Forces of Supply and Demand, pp. 72-92; Ch. 5: Elasticity and its Application, pp. 93-112; Ch. 6: Supply, Demand, and Government Policies, pp. 113-131; Ch. 7: Consumers, Producers and the Efficiency of Markets, pp. 134-151; Ch. 8: Application: The Costs of Taxation, pp. 152-165.

3. ***The Households:*** The consumption decision—budget constraint, consumption and income/price changes, demand for all other goods and price changes; Description of preferences (representing preferences with indifference curves), properties of indifference curves, consumer's optimum choice; Income and substitution effects; Labour supply and savings decision—choice between leisure and consumption.

Mankiw, 2007, 4e, Chapter 21: The Theory of Consumer Choice, pp. 384-405.

4. ***The Firm and Perfect Market Structure:*** Behaviour of profit maximizing firms and the production process; Short run costs and output decisions; Costs and output in the long run.

Case & Fair, 2007, 8e, Chapters 7, 8 & 9—Ch. 7: The Production Process: The Behaviour of Profit-Maximizing Firms, pp. 143-164; Ch. 8: Short-Run Costs and Output Decisions, pp. 165-185; Ch. 9: Long-Run Costs and Output Decisions, pp. 187-210.

5. **Imperfect Market Structure:** Monopoly and anti-trust policy, government policies towards competition; Imperfect information.

Mankiw, 2007, 4e, Chapter 15—Ch.15: Monopoly, pp. 271-298.

Stiglitz & Walsh, 2006, 4e, Chapter 15: Imperfect Information in the Product Market, pp. 333-339.

6. **Input Markets:** Labour and land markets—basic concepts (derived demand, productivity of an input, marginal productivity of labour, marginal revenue product); demand for labour; input demand curves; shifts in input demand curves; competitive labour markets; and labour markets and public policy.

Mankiw, 2007, 4e, Chapter 18: The Markets for the Factors of Production, pp. 334-348.

The end-semester Exam.:

The exam will carry 75 marks and seven questions in all. Each question will be worth fifteen marks. The *first* question is to be compulsory. Besides, the students will be asked to answer *any* four out of the remaining six questions.