

**UNIVERSITY OF DELHI
DELHI SCHOOL OF ECONOMICS
DEPARTMENT OF ECONOMICS**

Minutes of Meeting

Subject: B.A. Programme, First Semester (CBCS)
Course: Principles of Microeconomics - I
Date of Meeting: Thursday, 5th May 2016
Venue: Department of Economics,
Delhi School of Economics,
University of Delhi
Chair: Dr. Sugata Bag

Attended by:

S. No.	Name of Teacher	College
1	Madhuri Pal	IPCW
2	Sujit Kumar	SVC
3	Divya S. Gupta	Mata Sundari College
4	Sakshi God Bansal	JDMC
5	Anil Kumar	Ramjas College
6	Anjali Aggarwal	MLNC(E)
7	Sunita Meena	Miranda House
8	Shailesh Kumar	Bharati College
9	Parul Gupta	LSR College
10	Malabika Pal	Miranda House
11	Saachi Bhutani	Daulat Ram College
12	Harish Pal	Bharati College
13	Dipak Prakash	ARSD College
14	Manzoor Alam	ARSD College
15	Nitish Kahsyap	Miranda House

The committee agreed on following factors –

1. It is decided that the course instructors should *strictly* follow the prescribed textbook.
2. Further, it is noted that for the examination purpose, the starred numerical questions from the exercise section of each prescribed chapter can be omitted. However, the course instructors are advised to incorporate numerical problem solving sessions as part of teaching mode.
3. For the part – 1, some minor changes were adopted.
 - a. For Section 2 on consumer theory: entire chapter 6 (including the appendix) of Case & Fair is suggested.
 - b. Additionally for the same section, Pages 453-454 from Mankiw (Principles of Economics, 6th edition) can also be referred for Giffen Good discussion.
4. For Principles of Microeconomics – II : the relevant chapters have been mentioned in the course outline.

The following text was agreed upon:

Case, Karl E. & Ray C. Fair, *Principles of Economics*, Pearson Education, Inc., 8th edition, 2007.

Topic-wise Readings:

1. Introduction

- a. Problem of scarcity and choice: scarcity, choice and opportunity cost; production possibility frontier; economic systems.
(Chapter 2, Case & Fair)
- b. 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.
(Chapter 3, Case & Fair)
- c. Applications of demand and supply: price rationing, price floors, consumer surplus, producer surplus.
(Chapter 4, Case & Fair)
- d. Elasticity: price elasticity of demand, calculating elasticity, determinants of price elasticity, other elasticities.
(Chapter 5, Case & Fair)

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.

(Chapter 6, Case & Fair; and Appendix of Chapter 6) ***

3. Production and Costs

- a. 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.
(Chapter 7, Case & Fair; and Appendix of Chapter 7)
- b. Costs: costs in the short run, costs in the long run, revenue and profit maximizations, minimizing losses, short run industry supply curve, economies and diseconomies of scale, long run adjustments.
(Chapter 8 & 9, Case & Fair; and Appendix of Chapter 9)

4. Perfect Competition

- a. 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.
(Chapter 9, Case & Fair)
- b. Welfare: allocative efficiency under perfect competition.
(Chapter 12, Case & Fair - up to page 263)

Assessment structure: As per University norms.

Core Economics I: Principles of Microeconomics–I

Course Description

This course intends to expose the student to the basic principles in Microeconomic Theory and illustrate with applications.

Course Outline

1. Introduction

- a. Problem of scarcity and choice: scarcity, choice and opportunity cost; production possibility frontier; economic systems.
- b. 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.
- c. Applications of demand and supply: price rationing, price floors, consumer surplus, producer surplus.
- d. Elasticity: price elasticity of demand, calculating elasticity, determinants of price elasticity, other elasticities.

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.

3. Production and Costs

- a. 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.
- b. Costs: costs in the short run, costs in the long run, revenue and profit maximizations, minimizing losses, short run industry supply curve, economies and diseconomies of scale, long run adjustments.

4. Perfect Competition

- a. 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.
- b. Welfare: allocative efficiency under perfect competition.

Readings:

Case, Karl E. & Ray C. Fair, *Principles of Economics*, Pearson Education, Inc., 8th edition, 2007.

Core Economics II: Principles of Microeconomics–II

Course Description

This is a sequel to Principles of Microeconomics–I covered in the first semester. The objective of the course is the same as in Principles of Microeconomics I.

Course Outline

1. Market Structures

a. Theory of a Monopoly Firm

Concept of imperfect competition; short run and long run price and output decisions of a monopoly firm; concept of a supply curve under monopoly; comparison of perfect competition and monopoly, social cost of monopoly, price discrimination; remedies for monopoly: Antitrust laws, natural monopoly.

Ref: C&F 8th ed, chapter 13

b. Imperfect Competition

Monopolistic competition: Assumptions, SR & LR price and output determinations under monopolistic competition, economic efficiency and resource allocation; oligopoly: assumptions, oligopoly models, game theory, contestable markets, role of government.

Ref: C&F 8th ed, chapter 14

2. Consumer and Producer Theory

a. Consumer and Producer Theory in Action

Externalities, marginal cost pricing, internalising externalities, public goods; imperfect information: adverse selection, moral hazard, social choice, government inefficiency.

Ref: C&F 8th ed, chapter 15

b. Markets and Market Failure

Market adjustment to changes in demand, efficiency of perfect competition; sources of market failure: imperfect markets, public goods, externalities, imperfect information; evaluating the market mechanism.

Ref: C&F 8th ed, chapter 12 (from pp. 263 to end)

3. Income Distribution and Factor pricing

Input markets: demand for inputs; labour markets, land markets, profit maximisation condition in input markets, input demand curves, distribution of Income.

Ref: C&F 8th ed, chapter 10

4. International Trade

Absolute advantage, comparative advantage, terms of trade, sources of comparative advantage, trade barriers, free trade/ protectionism.

Ref: C&F 8th ed, chapter 33

Readings: Case, Karl E. & Ray C. Fair, *Principles of Economics*, Pearson Education, Inc., 8th edition, 2007.