

**Centre for International Trade and Development  
School of International Studies**

Course (MA/PhD): MA  
Course Title: Microeconomics 1 – IE 401  
Course Type (Core/Optional): Core  
Course Teacher: Sushama Murty  
Credits: 4  
Contact Hours: 4 per week

**Course Objectives**

- To impart knowledge and training of basic concepts, tools, techniques, and theories of microeconomic analysis and their applications for formulating economic models for analysing diverse economic problems.
- To equip students with the graduate-level pre-requisite material in microeconomics for undertaking optional/field courses in Semesters 3 and 4 of the MA programme
- To prepare students for further studies in economics such as admission to a PhD programmes in economics in India or abroad.

**Learning Outcomes**

- Students should be able to apply basic microeconomic theories to solve economic problems
- Student should be able to formulate economic problems and logically derive conclusions and results based on assumptions made using the tools and techniques learnt.
- Students should be able to evaluate economic policies using the normative and positive aspects of microeconomic theory
- Students should be able to analyse behaviour of real-life economic agents employing the theories of microeconomic behaviour taught in the course
- Students should be able to evaluate economic theories based on their real-world applicability employing the empirically testable restrictions the theories generate

**Evaluation Methods:**

- Mid semester closed book examination: 50%
- End semester closed book examination: 50%

## Course Content

### **1. Theory of the consumer**

Preference ordering, utility functions and their properties, consumer behaviour, Walras law and its implications, comparative statics, Slutsky and Hicks decomposition, duality theory, the envelope theorem and its applications, expenditure and indirect utility functions, demand functions and their properties, testable implications of consumer theory, integrability, welfare evaluation of economic changes employing money-metric utility functions

Special topics: revealed preference, separable preferences, the aggregate demand function and its properties.

### **2. Theory of production**

Production technologies and their properties, functional representations of production technologies, cost functions, profit maximization by a competitive firm, supply function, testable implications of producer theory, aggregate supply function,

Special topics: production efficiency, modelling technologies generating bad outputs.

### **3. General equilibrium and welfare economics**

Introduction to general equilibrium, pure exchange economy, the general equilibrium implications of Walras law, contract curves, economies with exchange and production, existence of a general equilibrium, uniqueness and stability of a general equilibrium, pareto optimality, the first and second welfare theorems, social choice, introduction to second-best economies

Special topics: comparative statics in a general equilibrium, testable implications of general equilibrium theory, partial equilibrium analysis, externalities, public goods

## Readings

1. Mas-Colell, A., Whinston, M.D., and Green J. (1995): Microeconomic theory, Oxford University Press
2. Varian, H.R. (2019): Microeconomic Analysis, third edition, first Indian edition, W W Norton & Company; 3rd edition
3. G. Jehle and P. Reny, Advanced Microeconomic Theory, Prentice Hall, 2011.