**SYLLABUS FOR THE SUBJECT OF ECONOMICS**

**PAPER - I**

**MICROECONOMICS**

**Total Marks: 100**

**Part I**

1. **Microeconomics:** Meaning of microeconomics. Choice, scarcity and opportunity

cost. Production Possibility frontier. Goals of microeconomic policy: efficiency and

equity.

2. **Market economy:** Demand, Supply and Price determination. Individual and

market demand. Changes in demand. Individual and market supply. Changes in supply.

Market equilibrium and impact of changes in demand and supply on market equilibrium.

Elasticity of Supply and Demand. Point and Arc elasticity. Price, income and cross

elasticities. Application of the concept of elasticity.

3. **The theory of Consumer Behaviour:** Concept of utility and derivation of

Demand curve. Cardinal and ordinal Utility. Consumer’s Surplus. Indifference Curves

and their shapes. Marginal rate of substitution and convexity of Indifference Curves. The

budget constraint and the equilibrium of the consumer. Income-Consumption and the

Engel’s Curve. Price- consumption and Demand curve. Income and Substitution effects

of a price change, the Hicksian method and the Slutsky method. Identification of normal

goods, inferior goods and Giffen goods.

4. **The theory of Production:** The concepts of production cost and profit.

Production function. The law of variable proportions. Cost curves in the short run and in

the long run. Choice of input mix. The principle of Substitution. Iso- quants, Iso-cost line

and the condition for cost minimization. The expansion path and returns to scale.

Economies of scale. The very long run and the endogenous technical change.

5. **Market structures and behaviour of firms.**

Perfectly competitive markets. Assumptions of the model. The supply curve of a

firm and an industry in the short run. Short run and the long run equilibrium of the

firm and industry. The shape of the long run industry supply curve and the effects

of changing technology. The allocative efficiency of perfect competition.

Monopoly: Shape of the demand curve under monopoly. Elasticity of the demand

curve and its implication for a monopolist. Short run and long run equilibrium.

Price discrimination and its consequences. Analysis of price discrimination

between markets. Dumping. Cartels as monopolies. The allocative inefficiency of

monopoly. Comparison between perfect competition and monopoly.

Imperfectly competitive market structures: Monopolistic competition. The concept

of industry and group. Short run and long run equilibrium of a firm. Excess

capacity. Comparison with perfect competition and monopoly.

Oligopoly and its basic dilemma. Duopoly. Models of Non-collusive oligopoly:

Cournot’s duopoly model, Chamberlain’s oligopoly model, Sweezy’s kinked

demand model.

Collusive Oligopoly. Cartels: Joint profit maximization and market sharing cartels.

Price leadership models. Mergers.

6. **The theory of Factor Pricing:** Demand and Supply of inputs. Input demand in

the short run and in the long run. The firms demand curve. The firm’s demand curve for

a single variable input. The industry’s demand curve for an input. Elasticity of demand

for inputs. The supply of inputs. Determination of price, quantity and income of an input.

Monopsony.

**RECOMMENDED BOOKS:**

*1. Lipsey and Chrystal, Economics. 10th edition. Oxford University Press.*

*2. Koutsoyiannis, A., Modern Microeconomics, London, Macmillan.*

*3. Miller, E. and Maddala, G.S., Microeconomics Theory and Applications, McGraw-*

*Hill International.*

**PART II**

**MATHEMATICAL ECONOMICS.**

1. Variables, Constants and parameters. Relations and functions. Types of functions:

algebraic and non-algebraic. Graphic representation of economic functions.

Equations and identities, simultaneous equations. Solution of market models,

income determination model and IS-LM analysis.

2. Derivatives and their application in economics. Slope versus elasticity. Price,

income and cross elasticities of demand. Income determination, multipliers and

comparative statics. Optimization of economic functions. Constrained optimization in

economics.

**RECOMMENDED BOOKS**

*1. Chiang, A.C., Fundamental Methods of Mathematical Economics, McGraq Hill,*

*Kogakusha, Ltd.*

*2. Dowling, E.T., Introduction to Mathematical Economics, Schuam’s outlines.*