



KAUTILYA SCHOOL OF PUBLIC POLICY

GITAM (Deemed to be University)
Rudraram, Patancheru Mandal
Hyderabad, Telangana 502329

Course Code: PPOL6081	Course Title: Microeconomics for Policy	
Trimester: 1	Course Type: Core	Credits: 3
Home Program(s): MPP	Batch/Academic Year: 2023-2025	
Course Lead: Dr. Sach Wry	Assigned T/RA:	

Course Description

Economics and economic development form a large part of debates about government policy with large repercussions for people's welfare. This course introduces learners to the basic tools of economics fundamental to any analysis of public policy. Learners will study the interaction of individuals, groups and firms in economic decision making in different contexts. This course aims to demonstrate the myriad ways in which government policy can be used to affect economic outcomes. Learners will be equipped with a strong conceptual foundation for further study in understanding the impact of policy interventions.

Learning Objectives

1. Understand the economic organisation on which current economies are based. Build familiarity with the tools of game theory to understand social interactions.
2. Evaluate economic outcomes through the concepts of fairness and efficiency.
3. Examine different institutional frameworks and its influence on bargaining power, choices, behaviour and outcomes.
4. Understand demand and supply decisions of firms, employees, shareholders and consumers under different market conditions through the concepts of demand and isoprofit curves, economies of scale, incomplete contracts, market power and elasticity of demand.
5. Understand the importance of credit in helping people to improve their material outcomes.

Course Outcomes

On successful completion of this course, students will be able to:

1. Apply economic tools and concepts to understanding and analysing policy problems
2. Understand the underlying relationships between different economic variables
3. Conceptualise the probable economic outcomes of policy actions
4. Evaluate the desirability of policy outcomes
5. Understand and predict further developments in the economy and conceptualise policy responses

Course Schedule

Unit I	Sessions: 1	The Wealth of a Nation: A Brief History
<p>This unit deals with understanding how capitalism revolutionised the economic system around the world and changed the way of life. It covers the following topics:-</p> <ol style="list-style-type: none"> 1. Income Inequality. 2. GDP and Disposable Income as a yardstick for well-being? 3. Technological advancement and growth. 4. Variations of Capitalistic systems. 5. Economics and the Economy. <p>Suggestive Reading: Unit 1: The Capitalist Revolution in <i>The Economy: A South Asian Perspective</i>, the CORE project (CORE)</p>		
Unit II	Sessions: 3	Demand, Supply and Market Equilibrium
<p>The unit explores how markets work in the economy and covers the following topics:-</p> <ol style="list-style-type: none"> 1. Market, Competition, Demand and Supply Curve. 2. Market Equilibrium. 3. The role of price in allocation of resources. 4. Elasticity of demand and supply: Its applications. <p>Suggestive Reading: <i>The market forces of supply and demand & Elasticity and its applications</i> In <i>Microeconomics</i>, by MT (Ch. 3,4)</p>		

Unit III	Sessions: 2	Welfare analysis: efficiency, equity & invisible hand
<p>This unit will provide the students an understanding welfare and market and hence covers the following topics:-</p> <ol style="list-style-type: none"> 1. Consumer Surplus - Covers willingness to pay. 2. Producer Surplus - Cost and Willingness to Sell. 3. The Market structure and market efficiency. <p>Suggestive Reading: <i>Consumers, producers and the efficiency of markets</i> In <i>Microeconomics</i>, by MT (Ch. 7)</p>		
Unit IV	Sessions: 2	Government Policy: Taxes, Subsidies & Lump-Sum Transfer
<p>This unit discusses the supply, demand, government policies and the design of the tax system. We will cover the following topics:-</p> <ol style="list-style-type: none"> 1. Price Ceiling and Price floor. 2. The impact of taxation on market outcomes. 3. Taxes, Efficiency and Equity. 4. The Trade off between efficiency and equity. <p>Suggestive Reading: <i>Supply, demand and government policies & The Tax System</i> In <i>Microeconomics</i>, by MT (Ch. 8, 9)</p>		
Unit V	Sessions: 2	Household Choices: Budgets, Preferences and Rationality
<p>This unit covers the background to demand that is the consumer's choice that shapes the demand of an economy. The following topics will be covered in the class:-</p> <ol style="list-style-type: none"> 1. Budget Constraint: Consumer choices based on what is affordable to them. 2. What consumers want?: Consumers Preferences. 3. Behavioural Economics: Rationality of Consumers Choices. <p>Suggestive Readings: <i>Background to demand: Consumer choices</i> In <i>Microeconomics</i>, by MT (ch. 5)</p>		
Unit VI	Sessions: 2	Firms Decisions: Technology, Costs and Profits

<p>The units will cover the following topics: -</p> <ol style="list-style-type: none"> 1. Firms in competitive markets. 2. Profit maximisation and a competitive supply curve. 3. Market supply with the option of entry and exit. 4. Opportunity Costs and Economic Rent, Production Function, Marginal costs, Optimal production. <p>Suggestive Readings: <i>Background to Supply: Firms in competitive markets & Firms production Decisions</i> In <i>Microeconomics</i>, by MT (ch. 6, 13)</p>		
Unit VII	Sessions: 2	Externalities and Public Goods
<p>The unit will cover types of public goods, externalities (positive/negative) that are the outcomes of market inefficiency and what is the public policy approach in addressing these externalities. The following topics will be covered:-</p> <ol style="list-style-type: none"> 1. Externalities and Regulation. 2. Excludability, Financing public goods, 3. Free-rider Problems. 4. Tragedy of Commons. <p>Suggestive Readings: <i>Public goods, common resources and merit goods</i> In <i>Microeconomics</i>, by MT (ch. 10)</p>		
Unit VIII	Sessions: 4	Monopoly, Monopsony and Oligopoly
<p>The unit covers different types of market structures in the economy and its functions. The following topics will be covered:-</p> <ol style="list-style-type: none"> 1. How does monopoly, monopsony and Oligopoly arise? 2. How do different market structures make production and pricing decisions? 3. Price discrimination, competition and collusion 4. What are the different public policies in place to regulate these different market structures? <p>Suggestive Readings: <i>Market structures I: Monopoly & Market Structure III: Oligopoly</i> In <i>Microeconomics</i>, by MT (Ch. 14 & 16)</p>		
Unit IX	Sessions: 2	Game Theory: An introduction

The unit provides an understanding of how individuals interact with each other based on their constraints that limits their actions, motives and beliefs of what others will do. The following topics will be covered:-

1. Strategic interactions and Games
2. Equilibrium in the invisible hand game
3. Prisoners dilemma
4. Nash Equilibrium

Suggestive Reading: **Unit 4: Social Interactions** in *The Economy: A South Asian Perspective*, the CORE project (CORE)

Unit X	Sessions:1	Market Limitations, Failure and Policy
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The unit introduces students to information asymmetry which leads to market failures and the resultant responses to such asymmetry. The following topics will be covered:-

1. Information Economics: adverse Selection, Moral Hazard and Signalling.
2. Markets and Mortality.

Suggestive Reading: **Unit 12: Social Interactions (12.6-9)**, in *The Economy: A South Asian Perspective*, the CORE project (CORE)

Unit XII	Session: 2	International Trade: Efficiency Gains and Distributional Effects
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The unit will introduce students to the gains and distributional effects of international trade on the economy.

1. Equilibrium without and with Trade, Comparative Advantage.
2. The Winners and Losers from Trade.
3. Benefits of International Trade.

Suggestive Readings: *Interdependence and The gains from the Trade* In *Microeconomics*, by MT (Ch. 19)