



## MODERN MICRO ECONOMICS

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### ABSTRACT

*The book is written at an intermediate level and is designed for under graduate micro theory course. It makes readers to easily comprehend with such enlisted features. Some of them are as follows- The market demand and the market supply define the equilibrium of the industry. The revenue and cost of the firm and the demand and supply of the market determine the market price and the output of both the firm and the industry. The remaining five sections of part two are devoted to the examination of the behavior of the firm in oligopolistic market structures. Almost all textbook on micro economics stop at the theory of the kinked demand curves. Even the classic oligopoly models conclusions, collusion and price leadership are dealt with inadequately in most textbook Book is written at an intermediate level and designed for and under graduate micro theory course. For these predictions, all these aspects of a competitive behavior must be examined simultaneously so that in all model one can fixed realism, contribution to the improvement of knowledge of decision making process of the firm of real world, given internal constraints.*

**KEYWORDS:** *Equilibrium, Diagrams, Illustrate, Intermediate*

## INTRODUCTION

This book provides a thorough and detailed exposition of the traditional and the modern micro theory. It just gives a detailed set of micro modern economics concepts. It concentrates on the model of behavior of the basic economic units, consumer and producer i.e. how they both consumer and producer relate to each other in economic unit. The main emphasis is on oligopoly, which is the typical market structure of the modern industrial world. In addition to this, this second edition includes a third part covering the three important topics of the theory of factor pricing, generalequilibrium theory and welfare theory. The new edition covers all the topics usually included in textbooks on price theory. The book is written at an intermediate level and is designed for under graduate micro theory course. In addition, post graduate courses in when chi micro theory is taught not at too specializedlevel, could make use of the text. The author has adopted the verbal approach, with extensive use of diagrams to illustrate the verbal exposition. Mathematical proofs (whenever necessary) are presented in footnotes, or when in the text, they are printed in small print so as not to interrupt the main theme.

Totally this book is written in simple, lucid and verbal style, so as to comprehend easily with the readers approach. It makes readers to easily comprehend with such enlisted features. Some of them are as follows-

A ligolous's treatment of oligopolistic behavior, which occupies nearly half of text pages. Oligopoly is a becoming increasingly important in the modern market economics, yet most micro text continues to this fact scant justice. This book offers a full exposition of established and modern theories, systematically groups as follows-traditional olipogy models (collusive and non-collusive), full cost or average cost, pricing; entry forestalling models; managerialtheories; gametheory; linear programming.

1. The various models are critically evaluated and compassed with a clear statement of the advantages and disadvantages of each theory, and its contribution to the theory of the firm.
2. A comprehensive discussion of the modern theory of cost (which exposes the limitations of the smooth unshaped cost curves of the conventional theory) with a detailed examination of the available empirical studies in this area.
3. A systematic analysis of the various types of economics of large scale production and their relevance in decision making.
4. A discussion of recent development in the theory of demand, which attempts to abandon the nonoperational concept of utility and to sindes the theory dynamic by incorporating into it appropriate time lags.
5. A comprehensive treatment of general equilibrium and welfare economics in separatechapters.
6. The comprehensive treatment of the material covered and the inclusion of the main developments in the theory of the firm over the last two decades which makes the books unmatched as an intermediate text book micro economics, equipping the student with a kit of modern fools and a theoretical framework which will help him approach and analysis with more realism the complex phenomena of the contemporary business world.

This all how book sum up with its features which make it unique in its own way. This book is divided into two parts. In part one (chapter 1-4), in which author has examined the behavior of the consumer and of other buyers and has developed the basic tools of analysis of the behavior of the firm. The market demand and the market supply define the equilibrium of the industry. The

revenue and cost of the firm and the demand and supply of the market determine the market price and the output of both the firm and the industry.

Chapter 1 contains definitions and classification of the main market structures traditionally adopted in micro economic theory.

Chapter 2 describes the theory of consumer behavior and market demand paying special attention to the recent development in this field of micro economics. In particular, the examiner to attempt to abandon one nonoperational concept of utility and to sender demand function dynamic by incorporating into it appropriate time lags.

In chapter 3 develops the theory of production, stressing again the recent development in this field.

Chapter 4 explains the traditional and modern theories of cost curves, which elaborate the smooth U-shaped cost of the traditional theory.

The main emphasis in part one is on occupying students with a kit of modern tools of economic analysis, which will help him understand and analysis the complexities of the real business world.

Part two is divided into six sections. In section A (chapter 5-8) the traditional theories of perfect companion, monopoly and monopolistic companion are given. In chapter 5 and 6 the behavior of the firm in the basic market structure of perfect competition market and monopoly are described. In chapter 7 price determinations, a practice widely used by the firm in modern business world are described. Chapter 8 talks about the equilibrium of the firm and the industry in the market structure of monopolistic competition. The remaining five sections of part two are devoted to the examination of the behavior of the firm in oligopolistic market structures.

Thus, the greatest part of this book deals with oligopoly. There are several areas for this. Firstly, oligopoly, as we said is the main form of market structure in the modern industry. Secondly there are many theories of oligopolistic behavior and each of them needs useful examination. Thirdly, theories of oligopoly developed since 1950 have mostly been omitted from textbook. Almost all textbook on micro economics stop at the theory of the kinked demand curves. Even the classic oligopoly models conclusions, collusion and price leadership are dealt with inadequately in most textbook.

In this book, we attempt a detailed examination of the main classical and modern theories of oligopoly. In section B (chapter 9-10) the classic models of oligopoly (duopoly, cartels and price leadership). In section C (chapter 11-12) attack on marginalize and the abrotineattempts to develop theory of average cost-pricing as a substitute for the traditional marginality pricing models. In section D (chapter 13-14) the review of the basic models of limit pricing. Discussed in details the theories of J. Bain, we examine the recent development in the limit price theory and Modigliani's formularization of the entry preventing model. In section E (chapter 15-17) the managerial theories of firm are given. Discussion about baumol's sales maximization hypothesis, Morris models of managerial hypothesis enterprise and Williamson models of managerial discretion. In section F, the behavioral theory of the firm and as developed by Cyert and March are explained. Finally, in section G (chapter 19 -20) brief discussion about the theory of games and liner programming model of optimal decision making. The model's entry forestalling, ofmesmerism and behaviorism are largely ignored in textbook are mentioned briefly as

experiment I the theory of the firm. In this book, author attempts to give these theories their due position in the theory of micro economics. This how the book sums up with its content.

These important topics (factor pricing, generalequilibrium, welfaretheory) usually included in textbook on price theory, are omitted from this textbook. The exclusion was dictated by financial cost consideration; the length of the text had to be kept within such limits that would make it possible to offer the book to students at a reasonable price. We felt that part of the new material in this volume or excluding above three topics, the second alternative was preferable. It is hoped that the comprehensive treatment of the material covered and inclusion of the recent developments in the theory of the firm will provide the student with the necessary modern tools and general theoretical framework with which to approach and analyses with more realism the complex phenomenon of contemporary world of business. This all how it concludes in an abbreviating manner.

As how we proceed to conclusion that why this book is an apt and must read. First season is so quiet and simple as that that author had adopted the verbal approach. i.e. how a manner of disposition is quite feature and elegant to understand to comprehend easily. This book provides an extensive use of diagrams, systematic analysis recent developments in various theories and an evaluated exposition, avoidableposition, to illustrate in lucid style. Mathematical proofs, theories, systematic analysis, traditional and modern concepts are mentioned in a convenient manner so that it could be easily understood. Book is written at an intermediate level and designed for and under graduate micro theory course. The modern microeconomics is equipped with kit of modern tools which will defiantly help the readers and the theoretical framework will also help them approach and analysis the complex phenomenon of the contemporary business would in an easy and general manner.

Secondly, in such extremely complex business world classic theory of modern approach will provide inadequate information to cope up with complexity, an economic analysis cannot be limited to models which describe the behavior of monistic firm only. It has to be rationale with perfect embodiment of knowledge and certainly, covering the aspect of constellation of models which are being constantly revised refined tested and reevaluated in an attempt to reach acceptable degree of realism and predictionary accuracy. These models will help exploring various aspects of the decision-making process of the firm. Recent development has drawn attention to the multiplicity of goals of large enterprise which decisions are linked with each other. For these predictions, all these aspects of a competitive behavior must be examined simultaneously so that in all model one can fixed realism, contribution to the improvement of knowledge of decision making process of the firm of real world, given internal constraints. It is hoped that from the accumulation of inductive evidences, and the use of the tools and methods of testing hypothesis, the relevant ingredient of the plethora of the existing models will be welded into a general framework, flexible enough to permit the construction of pECIALISED models to suit the purpose of the particular decision maker. This how, this makes the book modern microeconomics a must read because of the two reasons stated above and which is clearly mentioned also by the author.