

FOURTH SEMESTER CORE

ECO-HC-4016: INTERMEDIATE MICROECONOMICS - II

Course Description

This course is a sequel to Intermediate Microeconomics I. The emphasis will be on giving conceptual clarity to the student coupled with the use of mathematical tools and reasoning. It covers general equilibrium and welfare, imperfect markets and topics under information economics.

Unit 1: General Equilibrium, Efficiency and Welfare

- a) Exchange Economy, Consumption Allocation and Pareto Optimality; Edgeworth Box and Contract Curve; Equilibrium and Efficiency under Pure Exchange.
- b) Pareto Efficiency with production: Concepts of PPF, Social Indifference Curves and Resource Allocation.
- c) Perfect Competition, Pareto Efficiency and Market Failure (Externalities and Public Goods), Property Right and Coase Theorem.

Unit 2: Market Structure and Game Theory

- a) Monopoly, Pricing with Market Power; Degree of Monopoly, Price Discrimination-Different Degrees; Multi-plant Monopoly, Peak-Load Pricing.
- b) Monopolistic competition; Product Differentiation; Perceived and Proportionate Demand Curves; Price-Output Determination.
- c) Oligopoly and Game Theory (Two Person Zero Sum Game, Basic ideas and examples of non zero sum games, Prisoner's Dilemma), Applications of Game Theory in Oligopolistic Markets (Cournot Equilibrium, Bertrand Equilibrium, Stackleberg Equilibrium).

Unit 3: Markets with Asymmetric Information

Information Asymmetry, Adverse Selection, Moral Hazard, Signaling and Screening.

Readings:

1. Dominick Salvatore, Micro Economics – Theory and Applications, OUP.
2. Koutsoyiannis. A, Modern Micro-Economics, ELBS/Macmillan.
3. Hal Varian, Microeconomic Analysis, Third Edition, Selected Chapters, W.W. Norton and Company.
4. C. Snyder and W. Nicholson, Fundamentals of Micro Economics, Cengage Learning (India).
5. G.S. Maddala and Ellen Miller, Micro Economic Theory and Application, Tata McGraw Hill.
6. R.R. Barthwal, Micro Economic Analysis, Wiley Eastern Limited.
7. Martin J. Osborne, An Introduction to Game Theory, OUP, New Delhi.
8. Hugh Gravelle and Ray Rees, Micro Economics, Pearson Education.

