

SECOND SEMESTER CORE

ECO-RC-2016: Principles of Microeconomics–II

Course Description

This is a sequel to Fundamentals of Microeconomics covered in the first semester.

Course Outline

1. Market Structures

Theory of a Monopoly Firm

Concept of imperfect competition; short run and long run price and output decisions of a monopoly firm; concept of a supply curve under monopoly; comparison of perfect competition and monopoly, social cost of monopoly, price discrimination; remedies for monopoly: Antitrust laws, natural monopoly.

Imperfect Competition

Monopolistic competition: Assumptions, short run and long run price and output determinations under monopolistic competition,
Oligopoly: assumptions, overview of different oligopoly models, contestable markets.

2. Factor Pricing

Demand for a factor input in a competitive factor market, supply of inputs to a firm, market supply of inputs, equilibrium in a competitive factor market. Factor markets with monopsony power.

3. Market Failure

Efficiency of perfect competition, Sources of market failure.

Externalities and market failure, public goods and market failure, markets with asymmetric information (Ideas only)

Readings:

Case, Karl E. & Ray C. Fair, *Principles of Economics*, Pearson Education, Inc., 8th edition, 2007.

Pindyck, R.S, Rubinfeld, B.L and Mehta, P.L, *Microeconomics*, Pearson, 7th edition

