

Semester IV
B.A. (Honours) Economics
C 8: ADVANCED MICROECONOMICS (6 Credits)
Full marks: 100 (Mid Term-20 + End Term-80)

Course Description

This course is a sequel to Essentials of Microeconomics. 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

Units		No of Lecture hours	No of Tutorial hours	Marks
1	General Equilibrium, Efficiency and Welfare General equilibrium analysis; Equilibrium and efficiency under pure exchange and production; Equity and efficiency; the efficiency of competitive markets; welfare economics- Old and New welfare economics; the compensation criteria; the social welfare function and the theory of second best.	15	3	20
2	Monopoly Monopoly- definition, output decision of the monopolists; monopoly power, sources of monopoly, Barriers to entry, mark up pricing, Social cost of monopoly power; Pricing with market power- price discrimination: first degree, second degree and third degree with examples; peak-load pricing; two-part tariff; Monopolistic competition: definitions, characteristics, output decisions, excess capacity and advertising.	15	3	16
3	Oligopoly Short-run pricing and output decisions: Cournot model, Bertrand model, Kinked Demand Model, Collusive Oligopoly Model: Cartels, price leadership model	15	3	16
4	Game theory and Competitive Strategy Concepts, importance and application of game theory; Types of game, pure and mixed strategies, maximin strategies, dominant strategies, concept of Nash equilibrium, Prisoner's dilemma, Repeated games, sequential games, Threats, commitments, and credibility, Entry deterrence.	15	3	12
5	Market Failure Meaning of Externalities, externalities in consumption and production, externalities and allocative inefficiency; solutions to the externality problem; the Coase theorem; Public goods; Government intervention of public goods; Asymmetric information: Complex contracts, principal-agent problem, hidden actions, owner manager relationships, moral hazards, adverse selection, signalling.	15	3	16
Total		75	15	80

Reading List:

1. H. R. Varian (2010): Intermediate Microeconomics: A Modern Approach, 8th Edition, W.W. Norton and Company/Affiliated East-West Press (India). The
2. R. S. Pindyck, D. N. Rubinfeld and P. L. Meheta (2009): Microeconomics, 7th Edition, Pearson, New Delhi.

3. C. Snyder and W. Nicholson (2012): Microeconomic Theory: Basic Principles and Extensions, 11th Edition, Cengage Learning, Delhi, India.
4. G.S. Maddala and Ellen Miller, Microeconomics: Theory and Applications, Mc Graw Hill Education, Tenth Reprint, 2013, New Delhi Edition.