Integrated Economics, Semester: IV

Course Title: Intermediate Microeconomics - II

Course Code: IGECO-C401 Credits: 06

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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.

Course Outline

Unit 1. General Equilibrium, Efficiency and Welfare

Pure exchange-Edgeworth box and Pareto efficient allocations; Walras law; General equilibrium and efficiency; Efficiency in production; efficiency in product mix; Welfare economics-criteria of social welfare; social welfare functions.

Unit 2. Market Structure-I

Monopoly; Causes of monopoly; pricing with market power; price discrimination; Social costs of monopoly; peak-load pricing; two-part tariff; monopolistic competition-short —run and long-run equilibrium of a firm and industry; Comparison between perfect competition and monopolistic competition.

Unit 3. Market Structure-II

Interdependence in oligopolistic markets; Collusive and non-collusive oligopoly; oligopoly models-Cournot, Bertrand and kinked demand curve model; Cartel-profit maximizing cartel; Game theory-introduction to basic framework.

Unit 4. Market Failure

Externalities and market inefficiency; Policies towards externalities-regulation and market based policies; Coase theorem; Public goods-characteristics of public goods; Free rider problem; Markets with asymmetric information; Market for lemons; Adverse selection; Moral hazard; Signaling.

Unit 5: Tutorial 1

- a) Group discussion: different topics related to course content
- b) Presentations: different topics related to course content
- c) Class test

Unit 6: Tutorial 2

- a) Home Assignment
- b) Viva Voce

Readings:

- 1. Hal R. Varian, Intermediate Microeconomics, A Modern Approach, W.W. Norton and Company/Affiliated East-West Press (India), 8th edition, 2010. The workbook by Varian and Bergstrom may be used for problems.
- C. Snyder and W. Nicholson, Fundamentals of Microeconomics, Cengage Learning, 2010.
 B. Douglas Bernheim and Michael D. Whinston, Microeconomics, Tata McGraw-Hill, 2009.

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4. Robert S. Pindyck, Daniel L. Rubinfeld and Prem L. Mehta; Microeconomics, Pearson

5. N.Gregory Mankiw, Principles of Microeconomics, Cengage Learning

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