

**BA (HONS) ECONOMICS**

**4<sup>th</sup> SEMESTER**

**DISCIPLINE SPECIFIC COURSE-I (CORE-8)**

**ECH420C1: INTERMEDIATE MICROECONOMICS- II**

**CREDITS: THEORY: 4, TUTORIAL: 2**

**MAX. MARKS: THEORY: 60, TUTORIAL: 30**

**THEORY (4 CREDITS; 60 HOURS)**

*Course Description:* This is a core course of 06 credits (04 units of 01 credit each and tutorials of 2 credits).

*Course Objectives:* 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 Outcomes:* This course helps the students to understand efficiency of markets and the environment where the standard market mechanism fails to generate the desirable outcomes. The issues of market imperfection and market failures are important building blocks of this course.

**Unit I: Game theory & Oligopoly (15 Hours)**

Basic Concepts- Game; types of games; Players; Strategy, Payoff, Payoff matrix, Saddle point, Minimax, Maximin etc. Theory of Nash equilibrium: Strategic games – prisoner's dilemma; Mixed strategy; Sequential games. (This unit must be taught with the help of relevant examples & Illustrations)

**Unit II: Imperfect Markets (15 Hours)**

Oligopoly-quantity leadership; price leadership; collusion and punishment strategies; Monopolistic Competition – key characteristics; equilibrium in short run and long run; monopolistic competition and economic efficiency.

**Unit III: Distribution (15 Hours)**

Neo-classical approach—Marginal productivity theory; Product exhaustion theorem; Elasticity of technical substitution and factor shares; Technical progress and income distribution; Pricing of fixed factors of production.

**Unit IV: Theory of Exchange and Welfare (15 Hours)**

The Edgeworth box; trade, Pareto efficient allocations and market trade; the algebra of equilibrium-Walras law; relative prices; efficiency and equilibrium; Theorems of welfare economics.

**Tutorials (2 Credits)**

- Nash equilibrium by examples
- Comparing Oligopoly and Monopolistic competition
- Wage differentials
- Interdependence between Product and Factor market.

**Basic Readings**

1. Varian H. R (2010), Microeconomic Analysis –EWP and WW Norton and Co, Inc, New York
2. Varian H. R. (2010), Intermediate Microeconomics – A Modern Approach, EWP and WW Norton and Co, Inc, New York
3. Osbrne, J. M., (2000), “ An Introduction to Game Theory”, OUP
4. Pindyck R.S., D. Rubinfeld and P.L. Mehta (2012), Microeconomics, Pearson Education, South Asia.
5. Salvatore D., (2010), Microeconomics; Theory and Applications, Oxford University Press, New Delhi.
6. Nicholson W. (1992), Microeconomic Theory: Basic Principals and Extensions, TheDriden Press, USA.

*\*Additional Readings are available with the concerned teacher.*