
PRINCIPLES OF MICROECONOMICS II

Generic Elective (GE-13): Principles of Microeconomics II

Semester	Course title & Code	Credits	Duration (per week)			Eligibility Criteria	Prerequisite
			Lecture	Tutorial	Practical/ Practice		
III/V/VII	Principles of Microeconomics II – ECON027	4	3	1	0	Passed Class 12th with Mathematics	Introductory Microeconomics (ECON001) Principles of Microeconomics I (ECON025)

Learning Objectives

The Learning Objectives of this course are as follows:

- This course covers imperfect markets and equilibrium analysis, consumer and producer theories under various markets and its failure, and international trade.

Learning outcomes

The Learning outcomes of this course are as follows:

- This course helps the students to understand different forms of market imperfections and market failures observed in real life situations.
- The students learn about the environment where the standard market mechanism fails to generate the desirable outcomes.
- They develop a sense of how the production is distributed among the different factors of production and the demand for inputs.
- Some preliminary concepts of international trade are also covered in this course.

Syllabus

UNIT I: 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, SR and LR price and output

determinations under monopolistic competition, economic efficiency and resource allocation; oligopoly: assumptions, oligopoly models, game theory, contestable markets, role of government

UNIT II: Consumer and Producer Theory

Consumer and Producer Theory in Action: Externalities, marginal cost pricing, internalising externalities, public goods; imperfect information: adverse selection, moral hazard, social choice, government inefficiency.

Markets and Market Failure: Market adjustment to changes in demand, efficiency of perfect competition; sources of market failure: imperfect markets, public goods, externalities, imperfect information; evaluating the market mechanism.

UNIT III: Income Distribution and Factor pricing

Input markets: demand for inputs; labour markets, land markets, profit maximisation condition in input markets, input demand curves, distribution of Income.

UNIT IV: International Trade

Absolute advantage, comparative advantage, terms of trade, sources of comparative advantage, trade barriers, free trade/ protectionism.

Recommended readings

- Mankiw, N. G. (2018). *Principles of Microeconomics* 8th ed.
- Bernheim, B., Whinston, M. (2009). *Microeconomics*. Tata McGraw-Hill.

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.