

## 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	<b>Principles of Microeconomics II – ECON027</b>	4	3	1	0	<b>Class 12th with Mathematics</b>	<b>Introductory Microeconomics (ECON001)/ Principles of Microeconomics I (ECON025)</b>

### 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 (12 hours)

*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 (12 hours)

*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 (12 hours)

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 (9 hours)**

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.**