Subject Code : P8AE6

CORE COURSE VI : MICRO ECONOMIC ANALYSIS – II

Module -1 : Distribution

Neo-classical approach – Marginal productivity theory; Product exhaustion theorem; Elasticity of technical substitution, technical progress and factor shares; Theory of distribution in imperfect product and factor markets; Macro theories of distribution – Ricardian, Marxian, Kalecki and Kaldor's.

Module - 2 : Welfare Economics

Pigovian welfare economics; Pareto optimal conditions; Value judgement; Social welfare function; Compensation principle; Inability to obtain optimum welfare – Imperfections, market failure, decreasing costs, uncertainty and non-existent and incomplete markets; Theory of Second Best – Arrow's impossibility theorem; Rawl's theory of justice, equity-efficiency trade off.

Module - 3 : General Equilibrium

Partial and general equilibrium, Walrasian excess demand and input-output approaches to general equilibrium, existence, stability and uniqueness of equilibrium and general equilibrium, coalitions and monopolies; Production without consumption – one sector model, homogeneous functions, income distribution; Production without consumption – two sector model, relationship between relative commodity and factor prices (Stolper-Samuelson theorem), relationship between output mix and real factor prices, effect of changes in factor supply in closed economy (Rybczynski theorem), production and consumption – Introduction of contributions of Arrow and Debreu to General equilibrium analysis.

Module - 4 : Economics of Uncertainty

Individual behaviour towards risk, expected utility and certainty equivalence approaches, risk and risk aversion – sensitivity analysis, gambling and insurance, the economics of insurance, cost and risk, risk pooling and risk spreading, mean-variance analysis and portfolio selection, optimal consumption under uncertainty.

Module – 5 : Competitive Firm under Uncertainty

Factor demand under price uncertainty, the economics of search – different models, the efficient market hypothesis, stochastic models of inventory demand; Market with incomplete information, search and transaction costs, the economics of information.

Reference:

1. Kreps, David M. (1990), A Course in Microeconomic Theory, Princeton University Press, Princeton.
2. Koutsoyiannis, A. (1979), Modern Microeconomics, (2nd Edition), Macmillan Press, London.
3. Layard, P.R.G. and A.W. Walters (1978), Microeconomic Theory, McGraw Hill, New York.
4. Sen, A. (1999), Microeconomics : Theory and Applications, Oxford University Press, New Delhi.
5. Stigler, G. (1996), Theory of Price, (4th Edition), Prentice Hall of India, New Delhi.
6. Varian, H. (2000), Microeconomic Analysis, W.W. Norton, New York.
7. Baumol, W.J. (1982), Economic Theory and Operations Analysis, Prentice Hall of India, New Delhi.
8. Hirshleifer, J. and A. Glazer (1997), Price Theory and Applications, Prentice Hall of India, New Delhi.
9. Da Costa, G.C. (1980), Production, Prices and Distribution, Tata McGraw Hill, New Delhi.
10. Salvatore, Dominick (1991), Micro Economic Theory, 3rd Edition, McGraw Hill, New Delhi.