

ST. JOSEPH'S COLLEGE FOR WOMEN (AUTONOMOUS), VISAKHAPATNAM

VII SEMESTER

Time: 5Hrs/Week

Max. Marks: 100

ECONOMICS (HONOURS)

ECA-7701-(4)

ADVANCED MICRO ECONOMIC ANALYSIS

Course Objectives:

The course will cover advanced topics in micro economics where, students will learn about utility and production functions, market models, game theory, and welfare economics.

Course Learning Outcomes:

- Upon completion of this course, student shall be able
- To achieve the following outcomes:

CO1: Explain advanced concepts and theories related to consumer behaviour, Indifference Curves, risk and uncertainty

CO2: Analyse advanced concepts and theories of production and distinguish between different production functions

CO3: Explain different collusive and non-collusive market models.

CO4: Examine advanced concepts and theories related to distribution

CO5: Analyse various concepts and theories of equilibrium and welfare.

Unit 1: Consumers Behaviour

- Utility Functions: Direct and Indirect
- Indifference Curves Analysis: Income and substitution effects, Slutsky Theorem, Hicksian Compensated Demand Curve
- Revealed Preference Theory
- Risk and Inter-temporal choice; Decision making under uncertainty: Expected Utility Theory and Prospective Utility Theory in brief

Unit 2: Production

- Production Functions: Cobb-Douglas, CES, Leontief and VES production functions
- Isoquants, Ridge Lines, Isocosts, Least cost combination of inputs
- Technological Progress and the Production function
- Modern Theory of Costs: Saucer shaped, L-shaped and Inverted 'J' shaped cost

curves, ; Multi-production firm.

Unit3: Market

- Non-collusive Oligopoly Market Models: Cournot Model, Chamberlin Models
- Collusive Oligopoly Market Models: Cartels, Mergers, Price Leadership
- Basic Game Theory: Prisoners Dilemma and Non-Cooperative Games
- Managerial Firm Model: Baumol's Sales Revenue Maximization and Marris' Growth Maximisation
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Unit4: Distribution

- Pricing of Factors under Perfect Competition Market
- Pricing of Factors under Imperfect Competition Market
- Euler's Theorem and Product Exhaustion Problem; Hicks-Samuelson Solution to Product Exhaustion Problem in brief
- Pricing of Fixed Factors; Backward Bending Labour Supply Curve, Efficiency Wage Model.

Unit5: General Equilibrium and Welfare Economics

- Concepts of Partial and General Equilibriums; Pareto Optimality; Market Failures and Externalities
- Fundamental Theorem of Welfare: Social Welfare Function, Kaldor-Hicks Compensation Principle
- Theory of Second Best: Arrow's Impossibility Theorem in brief
- Adverse Selection and Moral Hazard.

References:

1. Sen, A. (1999), *Microeconomics: Theory and Applications*, Oxford University Press, New Delhi. Stigler, G. (1996), *Theory of Price*, (4th Edition), Prentice hall of India, New Delhi.
2. Varian, H. (2000), *Microeconomic Analysis*, W.W. Norton, New York.
3. Mohan, H. (2000), *Microeconomic Analysis*, W.W. Norton, New York.
4. Koutsoyiannis, A. (1979), *Modern Microeconomics*, Macmillan, New Delhi.
5. H.L. Ahuja: *Principles of Microeconomics*, S. Chand Publication, New Delhi
6. C. Snyder and W. Nicholson (2010) *Fundamentals of Microeconomics*, Cengage Learning (India), 2010.
7. B. Douglas Bernheim and Michael D. Whinston. (2009) *Microeconomics*, Tata McGraw Hill (India),
8. Open-Source Online Materials & Videos: IGNOU, e-PG Pathasala, SWAYM, Khan Academy etc.

Suggested Activities:

Unit1: Survey to understand consumer preferences and attitude towards risk, and analyse the results using expected utility theory.

Unit2: Competitions in diagrammatic explanation of production functions and cost cur

ves Unit 3: Seminars on different market models

Unit4: Quiz testing the conceptual understanding of the students relating to pricing of factors.

Unit5: A group debate on the benefits and drawbacks of government intervention in markets, and analyze the arguments using the concepts of market failures, externalities, and Pareto optimality.