

M.A (ECONOMICS)
MAEC24301T- MICRO ECONOMICS -II
SEMESTER – III

MAX. MARKS:100

EXTERNAL:70

INTERNAL:30

PASS:40%

CREDITS:6

OBJECTIVE

This subject acquaints the students with the basic principles of Microeconomics and economic activities. It will help the students to understand the subject by applying it to their day to day experiences.

INSTRUCTIONS FOR THE PAPER SETTER/EXAMINER:

1. The syllabus prescribed should be strictly adhered to.
2. The question paper will consist of three sections: A, B, and C. Sections A and B will have four questions each from the respective sections of the syllabus and will carry 10 marks each. The candidates will attempt two questions from each section.
3. Section C will have fifteen short answer questions covering the entire syllabus. Each question will carry 3 marks. Candidates will attempt any 10 questions from this section.
4. The examiner shall give a clear instruction to the candidates to attempt questions only at one place and only once. Second or subsequent attempts, unless the earlier ones have been crossed out, shall not be evaluated.
5. The duration of each paper will be three hours.

INSTRUCTIONS FOR THE CANDIDATES:

Candidates are required to attempt any two questions each from the sections A, and B of the question paper, and any ten short answer questions from Section C. They have to attempt questions only at one place and only once. Second or subsequent attempts, unless the earlier ones have been crossed out, shall not be evaluated.

Section A

UNIT-1-Factor Pricing: Competitive Factor Markets: Demand for and Supply of Inputs, Equilibrium in a Competitive Market.

UNIT 2- Factor Pricing Under Imperfect Competition: Monopoly Power and Factor Pricing, Monopolistic Power in Product Markets and Factor Markets, Bilateral Monopoly.

UNIT 3- General Equilibrium: Absolute versus Relative Prices, Perfectly Competitive Price and General Equilibrium Models, Edgeworth Box.

UNIT 4- Welfare Economics: Arrow Impossibility Theorem, Pareto Improvement and Efficiency, Pareto Optimality Condition.

Section B

UNIT 5- Social Welfare Function, Kaldor-Hicks-Samuelson Criterion, Rawl's Theory of Social Justice.

UNIT 6- Asymmetric Information: Asymmetric information, Moral hazard problem, adverse selection, principal-agent problem, theory of lemon, implications of asymmetric information, market signaling, efficiency wage model, information and insurance.

UNIT 7- Market Failure and Public Goods: Reasons for market failure – public goods, market imperfections, externality, Theory of public goods – provision and pricing, government intervention, second-best solution, free riding, rent-seeking and regulation. Externalities.

UNIT 8- Capital Budgeting: Introduction, Prerequisites, Investment decisions under certainty (pay-back period method, Net present value method and IRR criterion)

Suggested Readings:

1. Case, Karl E and Fair, Ray C Principles of Economics 6th edition. Pearson (First Indian Print 2002 Education Asia)

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- 2. N. Gregory Mankiw, Economics: Principles and Applications, India edition by South Western, a part of Cengage Learning, Cengage Learning India Private Limited, 4th edition, 2007.
- 3. Dornbusch, Fischer and Startz, Macroeconomics, McGraw Hill, 11th edition, 2010.
- 4. N. Gregory Mankiw. Macroeconomics, Worth Publishers, 7th edition, 2010.
- 5. Olivier Blanchard, Macroeconomics, Pearson Education, Inc., 5th edition, 2009.
- 6. Richard T. Froyen, Macroeconomics, Pearson Education Asia, 2nd edition, 2005.
- 7. Errol D'Souza, Macroeconomics, Pearson Education, 2009.