

Department	ECONOMICS	Class	I -M.A.		Semester	II
Course Title	Advanced Micro Economics - II	Hours	Credit	CIA	External	Total
Course Code	18P2VMC6	90	4	25	75	100

Objectives

1. To know about various alternative theories of firm
2. To know the different welfare economic criteria of social welfare.
3. To understand about the basic knowledge of Welfare Economics

Learning Outcome

Student gets equipped with the knowledge and skill in effective decision making under uncertain market situations.

Unit - I Alternatives Theories of The Firm

(18hours)

Full Cost Pricing Principle (Andrew's Version) – Bain's Limit pricing theory – Sylos-Labini's Model — The Behavioural Model of Cyert and March-Baumol's theory of Contestable markets.

Unit - II Individual choice under Risk and Uncertainty

(18hours)

St. Petersburg Paradox – Utility theory and Attitude towards risk – The Friedman Savage Hypothesis – The Markowitz Hypothesis.

Unit - III Managerial theories of the firm

(18hours)

Baumol's Sales Maximization model (Price and output determination without advertisement and with advertisement) - Marris's Managerial theory of the firm- Williamson's Managerial theory of the firm.

Unit - IV Market Failure and Externalities

(18hours)

Meaning of Market Failure- Causes of market failure-Externalities: Positive and negative externalities in production and consumption- External Economies (Positive Externalities) – External Diseconomies (Negative Externalities) – Externalities in Consumption – Externalities and Pareto Optimality – Free-Rider's Problem.

Unit - V Welfare Economics and Asymmetric information

(18hours)

Pareto Optimality conditions-Bergson-Samuelson Social Welfare function-Point of constrained bliss- Kaldor-Hicks Compensation Principle-Arrow's Impossibility Theorem-Theory of Second Best-Meaning of Asymmetric information-Problems of Asymmetric information: The market for lemons-Moral Hazard-Market signalling (concepts only).

Text Books

1. Ahuja H.L., "**Advanced Economic Theory**", 2014, S. Chand & Company Ltd., New Delhi.
2. M. John Kennedy, "**Advanced Micro Economic Theory**", 2012, Himalaya Publishing House, Mumbai.

References

1. A. Koutsoyiannis, "**Modern Micro Economics**", 1979, Macmillan Press, London.
2. H.A.J.Green, "**Consumer Theory**", 1976, Mac Milan, London.
3. Jhingan M.L. "**Advanced Economic Theory**", 2016, Vrindha Publications Pvt. Ltd. Delhi.
4. J.Cyril Kanmony, "**Advanced Micro Economics**", 2016, Himalaya Publishing House, Mumbai.

Websites / e-books

1. David A.Dilts, "**Introduction to Micro Economics**", <http://www.ebooks-for-all.com/bookmarks/detail/Introduction-to-Microeconomics/onecat/Electronic-books+Economics-and-Business+Microeconomics>
2. Sanjay Rode, "**Modern Micro Economics**", <http://bookboon.com/en/modern-microeconomics-ebook>