## School of Liberal Studies Ambedkar University Delhi Course Outline

Time Slot: Tuesday, Friday 9-11

TITLE: Microeconomics II CODE: SLS2EC105 PROGRAMME: M.A in Economics TYPE: Core CREDITS: 4 SEMESTER: 2 COURSE COORDINATOR: Taposik Banerjee (taposik@aud.ac.in)

AIM: The course introduces students to the general equilibrium theory and welfare economics. The course introduces students to the price determination process in an exchange economy. It analyses the relationship between a 'core' and a 'competitive equilibrium'. The conditions for existence, uniqueness and stability for Walrasian equilibrium will be discussed. The course will introduce students to the fundamental theorems of welfare economics. Limitations of a market economy will be taught and concepts of externalities and public goods will be discussed. Concept of a Social Welfare Function and Arrow's Impossibility Theorem will be taught. The course will also allow students to learn and critically evaluate the Coase Theorem.

## **BRIEF DESCRIPTION:**

- 1. Exchange Economy and Walrasian Equilibrium
  - Problem and solution: Walras and Edgeworth
  - Excess Demand: Equilibria in Simple Models; Existence and Stability
  - Core and Equivalance Theorem
- 2. Welfare Economics
  - Fundamental Theorems of Welfare Economics

- Compensation tests Kaldor, Hicks, Scitovsky
- Social Welfare Functions and Arrow's Impossibility Theorem
- 3. Collective Choice and Voting Rules
  - Different collective choice rules and their limitations
- 4. Externalities
  - Public Goods
  - Market failure
- 5. Coase Theorem and Critique

## REFERENCES

Arrow, K. J., 1963. Social Choice and Individual Values, second edition, Wiley, NewYork.

Mukherji, A., 2002. Introduction to General Equilibrium Analysis: Walrasian and Non-Walrasian Equilibria, Oxford University Press.

Sen, A., 1970. Collective Choice and Social Welfare, Holden-Day.

Jehle, G. A. and P. J. Reny, Advanced Microeconomic Theory, Addison-Wesley Longman, Inc.

Mas-Colell, A., M. D. Whinston, and J. R. Green (1995). Microeconomic Theory. Oxford: Oxford University Press.

Varian, H. R., (1984). Microeconomic Analysis. 3rd edition. New York: Norton

Bator, F. M., 1957. The Simple Analytics of Welfare Maximization. The American Economic Review, Vol. 47, No. 1 (Mar., 1957), pp. 22-59.

Walras, L., 1954. Elements of Pure Economics, George Allen and Unwin.

Debreu, G. and H. Scarf, 1963. A Limit Theorem on the Core of the Economy. International Economic Review.

Feldman, A. M. and R. Serrano, Welfare Economics and Social Choice Theory. Springer.

ASSESSMENT METHODOLOGY: Three class tests with 25%, 35% and 40% weights.