

Course title: Microeconomics-II				
Course code: MPE 137		No. of credits: 3	L-T-P: 37-5-0	Learning hours: 42
Pre-requisite course code and title (if any): None				
Department: Department of Policy Studies				
Course coordinator: Dr. Soumendu Sarkar			Course instructor: Dr. Soumendu Sarkar	
Contact details: soumendu.sarkar@terisas.ac.in				
Course type: Elective			Course offered in: Semester 4	
Course description: Standard Microeconomics deals with market structure under rationality of individuals, certainty of outcomes and full information. This course attempts to explore challenges to the economic theorist when such assumptions break down. It explores institutions like insurance, contracts, law, elections, auctions and matching.				
Course objectives: This course aims to provide the student with understanding of different market and non-market mechanisms of allocation, their advantages and pitfalls.				
Course contents				
S.No	Topic	L	T	P
1	Module 1: Flashback and Overview • Recap of standard Microeconomic theory: individual decision-making and general equilibrium • Overview of the course	1		
2	Module 2: An uncertain world • Expected Utility Theorem, Measures of Risk Aversion; Insurance; General Equilibrium under uncertainty; Asset Markets	7	1	
3	Module 3: Lemons and Shirking • Market for lemons; the screening problem • Moral hazard; optimal incentive schemes • Job market Signalling • Applications: industrial regulation, underdeveloped agriculture etc.	7	1	
4	Module 4: Law and Economics • Coase and Transaction Cost approach • Brief overview of law and economics	3		
5	Module 5: Taking people along: social choice • Aggregation of individual preferences; Condorcet Paradox; Arrow's Theorem • Strategic Social Choice: Gibbard-Satterthwaite Theorem; Nash Implementation	6		
6	Module 6: Design your own market • Mechanism design with money: Optimal auction, VCG, double auctions • Mechanism design without money: marriage market and the Gale-Shapley algorithm; house allocation problem and the Shapley-Scarf algorithm • Applications: Spectrum auctions, coal auctions, school choice, kidney exchange	7	2	
7	Module 7: Cooperative Games and Networks • Bargaining Solutions: Nash solution, Core and Shapley Value; • Economics of social networks: stability vs efficiency, network formation games.	6	1	
	Total	37	5	

Evaluation criteria:

1. Term Paper 50%
2. Major Examination (written) 50 %

Learning outcomes:

On completion of this course, the students would:

1. Know about advantages and limitations of different market and non-market systems of allocation
2. Be able to construct and solve simple models of market imperfections

Pedagogical approach:

Standard classroom teaching followed by problem solving sessions

Materials:**Suggested readings****Required:**

1. Mas-Colell, Andreu, Michael Dennis Whinston, and Jerry R. Green. Microeconomic theory. Vol. 1. New York: Oxford university press, 1995.
3. Bergin, James. Microeconomic theory: a concise course. Oxford University Press, 2005.

Additional:

1. LeRoy, Stephen F., and Jan Werner. Principles of financial economics. Cambridge University Press, 2001.
2. Salanié, Bernard. The economics of contracts: a primer. MIT press, 2005.
3. Laffont, Jean-Jacques, and David Martimort. The theory of incentives: the principal-agent model. Princeton University Press, 2009.
4. Bolton, Patrick, and Mathias Dewatripont. Contract theory. MIT press, 2005.
5. Coase, Ronald Harry. The firm, the market, and the law. University of Chicago press, 2012.
6. Gaertner, Wulf. A Primer in Social Choice Theory: Revised Edition: Revised Edition. Oxford University Press, 2009.
7. <http://alsamixer.files.wordpress.com/2013/03/iislectures2.pdf>
8. Krishna, Vijay. Auction theory. Academic press, 2009.
9. Peleg, Bezalel, and Peter Sudhölter. Introduction to the theory of cooperative games. Vol. 34. Springer, 2007.
10. Goyal, Sanjeev. Connections: an introduction to the economics of networks. Princeton University Press, 2012.

Additional information (if any):

Student responsibilities: Attendance, feedback, discipline: as per university rules.

Course reviewers:

This course was reviewed by

1. Prof Debasis Mishra, Indian Statistical Institute, New Delhi
2. Prof Priyodarshi Banerjee, Indian Statistical Institute, Kolkata