

PG (CBCS) EVEN SEMESTER EXAMINATION, 2023

ECONOMICS

2nd Semester

Course No. : ECOCC - 201

(Micro Economic Analysis-II)

Full Marks : 70

Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

(Answer any five, selecting one from each unit)

UNIT - I

1. Illustrate in the light of Baumol's 'single product with advertisement' model, that output of a sales-revenue maximiser is more than output of a profit maximiser. 14
2. What is the mechanism of decision making in the behavioural model of the firm. 14

UNIT - II

3. (a) Which situation in welfare economics is called pareto optimal? Explain.
(b) Is the situation unique or relative? Discuss. 10+4=14

(Turn Over)

(2)

4. (a) Define market failure.
- (b) What problems are confronted in producing public goods by the Governments. Can the public goods be produced under private sector? Explain. $4+5+5=14$

UNIT - III

5. (a) "The lens-shaped region between two ICs denote the gains from trade" Explain the above statement in relation with the Edgeworth Box.
- (b) Explain the characteristics of the optimum (final post-trade) position in an Edgeworth Box.
- (c) Also analyse the transition from the initial allocation (w) point to post trade find allocation (x) point in an Edgeworth Box. $6+4+4=14$
6. (a) What is an Edgeworth Box? Explain with the help of a diagram its construction.
- (b) A contract curve is a locus of all optimum post-trade allocations - explain with the help of diagrams.
- (c) In a 2x2 General Equilibrium Pure-Exchange Economy, explain the relative price and its role in trade between two agents. $(2+6)+3+3=14$

UNIT - IV

7. Why does a 'market for lemon' collapse? Offer a solution. What is an 'adverse selection'? $8+4+2=14$

(3)

8. (a) What are the consequences of 'moral hazard' in insurance sector and what are the remedies.
- (b) Illustrate 'economics of search' with suitable example. $(6+4)+4=14$

UNIT - V

9. How is the rate of interest in determined by joint action of lending-borrowing and saving-investment mechanism. 14
10. (a) How does the price mechanism check over the extraction of exhaustible resources.
- (b) Write notes on (i) Risk Free Rate Plus Premium (ii) Effects of foreign investment on the receiving nation. $8+(3+3)=14$
