

PG EVEN SEMESTER EXAMINATION, 2023**ECONOMICS**

2nd Semester

Course No. : ECO DISC - 551

(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. (a) "The lens-shaped region between two ICs denote the gains from trade." Explain the above statement in relation with the Edgeworth Box. 6
- (b) Explain the characteristics of the optimum (final post-trade) position in an Edgeworth Box. 4
- (c) Also, analyse the transition from the initial allocation (w) point to post-trade final allocation (x) point in an Edgeworth Box. 4
2. (a) What is an Edgeworth Box? Explain, with the help of suitable diagrams, its construction. 2+6=8

(Turn Over)

(2)

- (b) A contract curve is a locus of all optimum post-trade allocations - explain with the help of diagrams. 3
- (c) In a 2x2 General Equilibrium Pure-Exchange Economy, explain the relative price and its role in trade between agents. 3

UNIT - II

- 3. Which situation of social welfare is called a Pareto-optimum? Illustrate. Is the situation unique or relative? 10+4=14
- 4. (a) Show how a Grand Utility Possibility Frontier is derived.
- (b) Outline Arrow's contribution towards social welfare function. 10+4=14

UNIT - III

- 5. Decision under uncertain situation does not depend upon the expected value of the outcome but on the expected utility of the outcome".
 - (a) Illustrate the above outcome with suitable example.
 - (b) How does a risk-averse individual act to minimize the risk? 10+4=14
- 6. (a) Show how Von Neumann utility index is constructed?
- (b) Solve the pay-off matrix below finding the saddle point (6+4)+4=14

(3)

		Player B		
Player A	Strategies	I	II	III
	I	6	8	6
	II	4	12	2

UNIT - IV

- 7. (a) What is externality? What are positive externality in consumption and negative externality in production.
- (b) How does Government intervention help manage externality of the above two cases. (2+6)+6=14
- 8. (a) What are the policies mostly practised to regulate pollution in a country.
- (b) "The price mechanism auto-corrects the over-exploitation of exhaustible resources". Justify with suitable diagram. 6+8=14

UNIT - V

- 9. What is the problem of asymmetric information? How does it affect the 'market for lemons'? How can the problem be solved? 3+7+4=14
- 10. (a) Distinguish between 'pooling' and 'separating' equilibrium.
- (b) Is investment in education an example of separating equilibrium? Illustrate with suitable example. 4+10=14
