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959 (MIC2)

[20-HKPGDEN–M2S(N)21J]

MA 2nd Semester (New) Exam., 2020

ECONOMICS

[PGEC–S2–01]

(Microeconomics–II)

Full Marks : 80

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. *(a)* Answer the following questions : 1×8=8

(i) What is meant by contract rent?

(ii) Define normative economics.

(iii) What is meant by non-linear pricing?

(iv) What is meant by MRP?

(v) Define internal rate of return (IRR).

(vi) What is meant by risk neutral?

(vii) Define real wages.

(viii) What governs the supply of capital?

(b) Choose the correct answer from the following : 1×4=4

(i) The book, *Risk, Uncertainty and Profit* (1921) was written by

(1) Frank Knight

(2) Schumpeter

(3) J. B. Clark

(4) None of them

(ii) Who defines welfare economics as "that part of the general body of economic theory which is concerned primarily with policy"?

(1) Scitovsky

(2) Professor M. Reder

(3) Professor Gratt

(4) Pareto

(iii) The criterion of 'compensation principle' was given by

(1) Kaldor

(2) Hicks

(3) Scitovsky

(4) All of them

(iv) In which year was the Maternity Benefit Act introduced?

(1) 1948

(2) 1961

(3) 1952

(4) 1998

(c) Fill in the blanks : 1×4=4

(i) The value judgement required to construct social welfare function may be obtained in _____ ways.

(ii) A _____ point of a payoff matrix is that position where maximum of row minimum coincides the minimum of column maximum.

(iii) The marginal rent is also called _____ land.

(iv) Market failure occurs when there is _____.

2. Answer any *five* from the following questions (each within *50* words) : 2×5=10

(a) What is meant by economic efficiency?

(b) Define mixed strategy.

(c) State the condition of equilibrium of the firm under perfect competition according to the marginal productivity theory of distribution.

(d) Define time value of money.

(e) What is meant by Budget Frontier?

(f) State the definition of subsistence wages.

3. Answer any *four* from the following questions (each in around *150* words) : 3×4=12

(a) Explain the meaning of transfer earnings.

(b) How does Keynes define interest rate?

(c) How do innovations result in the emergence of profit?

(d) Briefly discuss why people pay insurance premiums.

(e) Briefly explain the concept of Pareto's social optimum.

4. Answer any *three* from the following questions (each in around *250* words) : 6×3=18

(a) Discuss the Scitovsky double criterion of welfare.

(b) Elaborate the affect of adverse selection problem in life and health insurance market.

(c) Determine which of the following two-person zero-sum games are strictly determinable and fair. Give the optimum strategies for each player in a case of strictly determinable game :

$$\begin{array}{c} \\ A_1 \\ A_2 \end{array}\begin{array}{c} \begin{array}{cc} B_1 & B_2 \end{array} \\ \begin{bmatrix} 8 & 0 \\ 5 & -2 \end{bmatrix} \end{array} \qquad \begin{array}{c} \\ A_1 \\ A_2 \end{array}\begin{array}{c} \begin{array}{cc} B_1 & B_2 \end{array} \\ \begin{bmatrix} 5 & 0 \\ 0 & 4 \end{bmatrix} \end{array}$$

A B

(d) Explain the concept of monopsonist exploitation.

5. Answer any *three* from the following questions (each in around *300* words) : 8×3=24

(a) Discuss the process of collective bargaining under bilateral monopoly.

(b) Explain how the maximum social welfare is attained by using the grand utility possibility curve.

(c) Critically discuss how interest rate is determined according to the classical theory.

(d) Discuss how property rights allocated to the polluter help in achieving a socially optimum output.

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