Reg. No. : ....

Name : ....

II Semester M.A. Degree (CBSS-Reg./Suppl./Imp.) Examination, April 2020
(2014 Admission Onwards)
Economics/Applied Economics/Development Economics
ECO2C05 : MICROECONOMIC THEORY – II

Time : 3 Hours

Max. Marks : 60

PART – A

Answer **all** questions. **All** questions carry **equal** marks.

1. The reason/s given by Hall and Hitch for the breakdown of marginalism may be summarized as :

    I. Firms do not know their demand curve nor their marginal costs, hence the application of the marginalist rule (MC = MR) is impossible due to lack of relevant information.

    II. Firms believed that the 'full-cost price' is the 'right' price, since it allowed a 'fair' profit and covered the costs of production when the plant was 'normally' utilized.

    A) Statement I alone is correct

    B) Statement II alone is correct

    C) Statement I and II are correct

    D) Statements I and II are incorrect

2. The production which raises the marginal product of labour relatively to capital, at constant capital labour ratio is :

    A) Labor saving technical change

    B) Capital saving technical change

    C) Neutral technical change

    D) None of these

3. Games in which gains of one player equal the losses of the other are called :

   A) Zero-sum games

   B) Non-zero-sum games

   C) Prisoner's dilemma

   D) Pure strategy

4. Which among the following is not included in the basic assumption of Baumol's static models ?

   A) The firm attempts to maximize its total sales revenue subject to a profit constraint

   B) The minimum profit constraint is exogenously determined by the demands and expectation of the shareholders, the banks and other financial institutions

   C) Profit is an instrumental variable whose value is endogenously determined

   D) Conventional cost and revenue function

5. Identify the correct formula according to the average cost principle :

   A) $P = AFC + GPM$

   B) $P = AVC + NPM$

   C) $P = AVC + GPM$

   D) $P = AVC + AFC + GPM$

6. According to Bain's limit pricing theory, the condition of entry (E) is :

   A) The premium accruing to the established firms in an industry from charging a price higher than the pure competitive price

   B) The premium accruing to the established firms in an industry from charging a price higher than the marginal cost of production

   C) The premium accruing to the newly entrant firm in an industry from charging a price higher than the marginal cost of production

   D) The premium accruing to the newly entrant firm in an industry from charging a price higher than the pure competitive price

7. The theorem which says that the equilibrium in a set of competitive market is Pareto efficient is :

A) Coase theorem

B) First welfare theorem

C) Second welfare theorem

D) Third welfare theorem

8. Which among the following is not a basic assumption of Euler's Product Exhaustion Theorem ?

A) It assumes a linear standardised production of first degree which implies invariable returns to scale

B) It assumes that the factors are complementary

C) It assumes that factors of production are perfectly divisible

D) It is applicable only in the short run

$(8 \times \frac{1}{2} = 4)$

PART – B

Answer any eight questions. Each question carries 2 marks. No answer should exceed one page.

9. What are the main short comings of Modigliani's model of limit pricing ?

10. Define technological progress.

11. Distinguish between partial and general equilibrium.

12. Explain the term widow's cruse.

13. Distinguish between zero sum and non zero sum games.

14. What are the determinants of the entry-preventing price in Sylos's model ?

15. Prepare a note on elasticity of factor substitution.

16. Define bliss point.

17. What do you mean by Quasi rent ?

18. The supply curve of labour can be backward-bending. Why ?

19. Summarise the postulations of Scitovsky's double criterion of welfare.

$(8 \times 2 = 16)$

PART – C

Answer **any four** questions. **Each** question carries **5** marks. No answer should exceed 2½ pages.

20. Summarize Marxian theory of distribution.

21. Explain social welfare function.

22. What are the factors affecting the wage differences of workers ?

23. Prove the Product Exhaustion Theorem numerically.

24. Point out the importance of game theory in economics.

25. The distribution of national income into profits and wages depends upon the degree of monopoly in the economy. Substantiate.

(4×5=20)

PART – D

Answer **any two** questions. **Each** question carries **10** marks. No answer should exceed 6 pages.

26. Explain Pareto optimality. Discuss the marginal conditions of Pareto optimality.

27. Critically examine the marginal productivity theory of distribution.

28. Discuss Ricardian model of distribution.

29. Critically examine Baumol's theory of sales revenue maximization.

(2×10=20)

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