

C 22861

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Name.....

Reg. No.....

SECOND SEMESTER P.G. DEGREE EXAMINATION, APRIL 2022

(CCSS)

Economics

ECO 2C 05—MICROECONOMIC THEORY AND POLICY-II

(2019 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A*Answer all questions.**Each question carries 1 mark.***Multiple Choice Questions :**

1. The input output analysis was developed by :
 - a) Wassily Leontief.
 - b) Lipsey and Lancaster.
 - c) Kentrovich.
 - d) John Rawls.
2. The marginal productivity theory of distribution was presented in a book titled 'The Distribution of Wealth' written by :
 - a) J.R. Hicks.
 - b) Leon Walrus.
 - c) J.B. Clark.
 - d) David Ricardo.
3. According to the Ricardian theory of distribution :
 - a) The share of wages will tend to rise and share of profits to fall.
 - b) The share of profits will tend to rise and share of wages to fall.
 - c) Both the share of wages and share of profits will rise.
 - d) Both the share of wages and share of profits will fall.
4. According to Kaldor- Hicks compensation criterion an economic changes is an improvement in welfare if :
 - a) The gainers can compensate the loser.
 - b) Both gainers and losers make equal sacrifice.
 - c) The gainers can compensate the loser and still remain better off.
 - d) The loser can prevent the gainer from enjoying the gain.

Turn over

5. Who introduced the social welfare function explicitly in welfare economics ?
- a) Kaldor.
 - b) Bergson.
 - c) Arrow.
 - d) Hicks.
6. Adverse selection arise because :
- a) Insurance buyers have more information than insurance sellers.
 - b) Insurance sellers have more information than insurance buyers.
 - c) Individuals can select which insurance company to patronize.
 - d) Insurance companies can exercise too much control over who they insure.
7. An individual is willing to pay something for information because :
- a) Information is costly.
 - b) It is always better to know than not to know.
 - c) This allows him or her to increase utility.
 - d) Information is a public good.
8. Euler's theorem will work under :
- a) Increasing returns to scale.
 - b) Decreasing returns to scale.
 - c) Constant returns to scale.
 - d) None of these.
9. A Pareto optimum distribution of any two goods between any two individuals in an economy requires that :
- a) $MRS_{xy}^A + MRS_{xy}^B = 1$.
 - b) $MRS_{xy}^A = MRPT_{xy}$.
 - c) $MRS_{xy}^A + MRS_{xy}^B = MRPT_{xy}$.
 - d) $MRS_{xy}^A = MRS_{xy}^B$.
10. The concept of quasi-rent means :
- a) The wages to the workers.
 - b) The rent shared by the workers and the land lord.
 - c) The return to a factor of production which is fixed in supply in the short-period only.
 - d) None of the above.

(10 × 1 = 10 marks)

Part B (Very Short Answer Questions)

*Answer any **five** questions.
Each question carries 2 marks.
Answer in one **or** two sentences each.*

11. Stationary State.
12. What is externality ?

13. Pareto efficiency.
14. Adverse selection.
15. Social welfare function.
16. Equity efficiency trade-off.
17. Search goods and experience goods.
18. Golden parachute.

(5 × 2 = 10 marks)

Part C (Short Answer Questions)

*Answer any **eight** questions.
Each question carries 5 marks.*

19. Discuss the uses of input-output analysis.
20. Explain the marginal conditions for Pareto Optimality.
21. Explain the general equilibrium of exchange, equity and efficiency.
22. Define Vogel's approximation method.
23. Explain the Euler's theorem and adding up problem.
24. Explain the theory of second best.
25. Bring out the salient features of Principal Agent theory.
26. Examine Williamson's model of transaction cost.
27. Discuss the Arrows Impossibility theorem.
28. Write a note on the efficiency wage theory.
29. Briefly explain the Sen's theory of welfare.
30. Discuss about the Ricardian theory of distribution.

(8 × 5 = 40 marks)

Part D (Essay Type Questions)

*Answer any **two** questions.
Each question carries 10 marks.*

31. Explain the Kaldor's theory of distribution.
32. Is there a trade off between equity and efficiency ? Examine Rawlsian efforts over justice, welfare and altruism.
33. What is Linear Programming ? Explain the simplex method in Linear Programming model.
34. Analyse the market for lemon and explain how asymmetric information leads to market failure.

(2 × 10 = 20 marks)