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SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2015

(CUCSS)

Economics

ECO 2C 05—MICROECONOMIC THEORY AND APPLICATION—II

Time : Three Hours Maximum : 36 Weightage

Part A

Answer **all** *questions.*

Each bunch of four questions carries a weightage of 1.

A. Multiple Choice :

1 Ricardian theory of income distribution is based upon :

(a) Labour theory of Value. (b) Marginal and surplus principle.

(c) Surplus Value. (d) Rate of profit.

2 According to whom the share of profit in the national income is a function of profit :

(a) Marx. (b) Ricardo.

(c) Kaldor. (d) Kalecki.

3 According to Marx total Value of output is composed of :

(a) Profit and Wages.

(b) Surplus and Share of wages.

(c) Value of goods and profits.

(d) Constant capital, variable capital and surplus value.

4 Who explained that distribution of national income into profits and wage depends on degree of monopoly :

(a) Goodwin. (b) Nicholas Kaldor.

(c) Michale Kalecki. (d) Karl Marx.

B. Multiple Choice :

5 A social welfare function based on the explicit value judgements of society is called :

(a) Pareto's welfare function. (b) Pigou's welfare function.

(c) Bergson welfare function. (d) Hicks-Kaldor welfare function.

Turn over

6 The point at which a social welfare indifference curve is tangent to the grand utility possibilit frontier is called :

(a) Market line. (b) Market equilibrium.

(c) Constrained bliss. (d) None of these.

7 The envelope to utility possibilities Frontiers at Pareto optimum points of production exchange is called :

(a) Contract curve. (b) Compensation curve.

(c) Point of bliss. (d) Grand utility possibilities frontier.

8 Which theorem postulates that a social welfare function cannot be derived by democratic to reflect the preferences of all individuals in society :

(a) Bergson criteria. (b) Arrow's impossibility.

(c) Pareto criterion. (d) Kaldor-Hicks criterion.

C. Fill in the blanks :

9 ——— convey product quality good insurance or credit risks and high productivity.

10 The situation where some people demand a smaller quantity of a commodity as more pe consume it in order to be different and exclusive is called ———.

11 The practice of buying at a low price at one location and selling at a higher price in anot called ———.

12 Asset that provides a flow of money or services that is known with certainty is c ——— asset.

D. State whether the following statements are True *or* False :

13 In the casae of public good the marginal cost of provision to an additional consumer is and people cannot be excluded from consuming it.

14 The Arbitrage Pricing Theory was originally developed by Stephen A. Ross.

15 The problem arising when agents pursue the goals of principals is called Principal problem.

16 A situation in which an unregulated competition market is inefficient because prices provide proper signals to consumers and producers is called market failure.

(16 × 0.25 = 4 weig

Part B

Answer any **ten** *questions.*
Each question carries a weightage of 2.

17 What are the feature of input-output analysis ?

18 Explain the difference between adverse selection and moral hazard in insurance m Can one exist without the other ?

19 Why might a seller find it advantageous to signal the quality of a product ? How are guarantees and waranties a form of market signalling ?

20 What is an efficiency wage ?

21 What is meant by the "Voting paradox" ?

22 Why do market disequilibria lead to inefficiencies ?

23 Are all points on the contract curve for exchange equally desirable ? Why ?

24 What is the relationship between moral hazard and externalities ?

25 Explain the process of searching for the lowest price.

26 Explain Rawlsian views on social welfare.

27 Explain Euler's product exhuastion theorem.

28 Explain the features of Arbitrage pricing theory.

29 Explain Kalukis theory of distribution.

30 Explain the process of searching for the lowest price.

(10 × 2 = 20 weightage)

Part C

Answer any **three** *questions.*

Each question carries a weight of 4.

31 Critically examine Ricardian theory of distribution.

32 Explain the marginal conditions for attaining Pareto optimality.

33 Explain the relevance of Second Best.

34 Explain the equilibrium risk return relationship according to Arbitrage Pricing Theory.

35 Whaat is Principal Agent Problem ? How can this model be used to expalin, why public enterprises might pursue goals other than profit maximisation ?

(3 × 4 = 12 weightage)