SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2014

(CUCSS)

Economics

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. The theory of second best is formulated by :

  (a) Leon Walras.   (b) Cyret and March.

  c). Lipsey and Lancaster.   (d) Hall and Hitch.

2. Pareto concept of maximum social welfare is based upon :

  (a) Ordinal Utility.   (b) Cardinal Utility.

  (c) Both (a) and (b).   (d) None.

3. The 'Degree of Monopoly' theory of distribution has been developed by :

  (a) Kaldor.   (b) Hicks.

  (c) M Kalecki.   (d) Harrod.

4. In economics 'Marginal Land' means that land on which :

  (a) No rent is charged.   (b) Nominal rent is charged.

  (c) High rent is charged.   (d) Nominal rent is charged.

B. Multiple Choice

5. When an insured individuals actions increases the probability of occurrence of the event insured against, we have the problem of :

  (a) Adverse Selection.   (b) Principal agent problem.

  (c) Moral hazard.   (d) None of these.

6. Arrow has suggested that a social welfare function should have the following attributes.

  (a) Condition of unrestricted domain. (b) Non - dictatorship.

  (c) Pareto Principle.   (d) All the above.

Turn over

7. Kaldor's theory of distribution is also called :

    (a)   Neokeynesian theory of distribution.

    (b)   Classical theory of distribution.

    (c)   Neo classical theory of distribution.

    (d)   None of these.

8. A sum total of the satisfaction of all the individuals in a society refers to :

    (a)   Social welfare.   (b)   Economic welfare.

    (c)   Pareto efficiency.   (d)   All the above.

C. Fill in the blanks :

9. Kaldor had formulated his criteria from ——————————.

10. Utility means 'happiness' is a sense of desired fulfillment' is a criticism again optimality by —————————.

11. The concept of the 'reserve army of labour' is due to

————————————.

12. Leontief matrix shows ——————————————.

D. State whether the following statements are true *or* false :

13. Total product will be exhausted only if the production function is homogeneous of degree one.

14. Kaldor criterion and Hicks Criterion were different.

15. According to Kalecki, as the value of degree of monopoly increases, the share of wages

16. The aggregate supply of land is absolutely inelastic.

$(16 \times \frac{1}{4} = 4$ v

Part B

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

17. Distinguish between open and closed input output model.

18. What is technological matrix ?

19. Explain the concept of Pareto optimality.

20. Explain adding up problem.

21. State and explain the various compensatory criteria.

22. Explain externalities.

23. Critically evaluate the efficiency wage theory.

24. Explain the meaning of adverse selection.

25. Explain equilibrium with uncertainty in asset markets.

26. State Clark-Wicksteed product exhaustion theorem.

27. What do you mean by grant utility frontier ?

28. Explain the term point of bliss.

29. Explain Rawlsian views on social welfare.

30. What do you mean by arbitrage ?

(10 × 2 = 20 marks)

Part C

Answer any **three** *questions.*
Each question carries a weightage of 4.

31. Explain the main features of input output analysis.

32. Compare and contrast Marxian and Ricardian theory of distribution.

33. Briefly explain market for asymmetric information.

34. Explain the various approaches to social welfare function.

35. Critically evaluate capital asset pricing model.

(3 × 4 = 12 weightage)