4 SEM TDC ECOH (CBCS) C 8

2023

(May/June)

ECONOMICS

(Core)

Paper : C–8

(Advanced Microeconomics)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Choose the correct answer : 1×8=8

   (a) From a social point of view, the efficient level of output is the level at which

      (i) the price of the product is equal to the marginal social cost

      (ii) the price of the product is equal to the marginal cost

      (iii) the price of the product is equal to the marginal external cost

      (iv) marginal social benefit is equal to marginal cost

(Turn Over)

(b) In the Bertrand model

    (i) two firms choose quantity at the same time

    (ii) two firms choose price at the same time

    (iii) two firms choose price and output at the same time

    (iv) None of the above

(c) A monopolist produces its quantity of output in

    (i) inelastic portion of the demand curve

    (ii) elastic portion of the demand curve

    (iii) at the point where elasticity is equal to one

    (iv) at a point where price elasticity is infinite

(d) Which of the following is not correct about patents?

    (i) Patents stimulate innovation

    (ii) A patent is a barrier to entry

    (iii) Patents enable a firm to be permanent monopoly

    (iv) Patents encourage invention of new products

(e) The firm's degree of monopoly power depends on

    (i) the number of buyers

    (ii) the number of sellers

    (iii) the elasticity of market demand

    (iv) All of the above

(f) Find out the appropriate statement of moral hazard from the following :

    (i) a moral hazard problem arises when insurance companies cannot monitor individual driving habits

    (ii) a moral hazard problem arises when insurance caompany can monitor individual driving habits

    (iii) a moral hazard problem arises when insurance company authorises a third party to monitor individual driving habits

    (iv) None of the above

(g) The two main contributors of neo-classical welfare economics are

    (i) Arrow—Pareto

    (ii) Marshall—Pigou

    (iii) Kaldor—Hicks

    (iv) Bergson—Samuelson

(h) A merger is termed 'friendly' if

    (i) it is supported by the government

    (ii) it is supported by the management

    (iii) it is supported by the consumers

    (iv) None of the above

2. Write short notes on any *four* of the following :   4×4=16

(a) Market signaling

(b) Peak-load pricing

(c) Equity and efficiency

(d) Sticky price

(e) Concept of Nash equilibrium

(f) Cartels

3. (a) "The most common definition of public goods stresses two attributes of such goods."

    (i) Mention the two attributes and describe them.

    (ii) Explain with example the relationship between the two attributes.   6+6=12

Or

(b) What do you understand by asymmetric information? Explain the hidden action model of asymmetric information.   4+8=12

4. (a) Define game theory. Explain its importance and application in economics.   3+4+4=11

Or

(b) Explain Prisoners' Dilemma (normal form) with the help of an example.   11

5. (a) State the main features of the Bergson-Samuelson Social Welfare function. Explain the Lipsey and Lancaster theory of second best with the help of a diagram. 5+6=11

Or

(b) Compare and contrast between equity and efficiency with the help of a diagram. 11

6. (a) What do you understand by price leadership? What are the different types of price leadership models? Explain with the help of a diagram the price and output determination under dominant price leadership. 2+2+7=11

Or

(b) What do you understand by oligopoly? What are the different types of oligopoly? Describe the different characteristics of oligopoly market. 2+3+6=11

7. (a) What is price discrimination? Explain, with the help of diagram, price and output determination in a price discrimination monopoly. 2+9=11

(Continued)

Or

(b) Define excess capacity of a firm. Explain excess capacity of a firm with the help of a diagram. State one relevance of excess capacity. 2+7+2=11

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