

Total number of printed pages-7

**63 (FY)SEM-3/MAJ/ECOMAJ2014**

**2025**

**ECONOMICS**

Paper : ECOMAJ2014

**(Intermediate Microeconomics-II)**

Full Marks : 70

Pass Marks : 28

Time : Three hours

**The figures in the margin indicate full marks for the questions.**

1. Answer/Choose the following questions : 1×6=6
- (a) Pareto efficiency occurs when
- (i) The production possibility frontier is maximized
  - (ii) Marginal cost equal marginal benefits .

- (iii) No one can be made better off without making someone else worse off
  - (iv) The government intervenes to redistribute resources
- (b) According to marginal productivity theory, price of a factor of production depend on
- (i) Marginal Productivity
  - (ii) Marginal Revenue Productivity
  - (iii) Marginal Utility
  - (iv) Marginal Profit
- (c) A cartel is a group of firms that
- (i) Produce differentiated products
  - (ii) Agree to restrict outputs to boost their profit
  - (iii) Produce products that are complements
  - (iv) Agree to boost output to boost their profits

- (d) In Cournot's model of duopoly, each firm will finally produce.
- (i)  $1/2$  of total market output
  - (ii)  $1/3$  of total market output
  - (iii)  $1/4$  of total market output
  - (iv)  $1/5$  of total market output
- (e) Which of the following is not a cause of market failure
- (i) Externalities
  - (ii) Public goods
  - (iii) Perfect competition
  - (iv) Monopoly
- (f) In the market for lemons, the word lemon describes-
- (i) High price of the product
  - (ii) Low or defective quality of a product
  - (iii) Lesser quality supplied by the supplier
  - (iv) Asymmetric information about the market

2. Answer the following questions : **(any five)**

2×5=10

- (a) What is welfare economics ?
- (b) Distinguish between individual and social welfare.
- (c) Write the difference between economic rent and quasi rent.
- (d) Define public goods. Give an example of public goods.
- (e) What is Nash Equilibrium ?
- (f) Distinguish between nominal rate of interest and real rate of interest.
- (g) Give the meaning of property rights.

3. Answer the following questions : **(any six)**

5×6=30

- (a) What is meant by derived demand ? Explain the factors that determine demand for a factor input.

(b) Explain Arrow's conditions on social choice and individual values.

(c) What is selling cost? Differentiate between selling costs and production costs.

(d) Explain the Chamberlin's concept of excess capacity.

(e) Distinguish between risk and uncertainty. What causes uncertainty occurs in an economy ?

(f) "Profits are a reward for uncertainty bearing"—explain.

(g) What are externalities? Differentiate between positive and negative externalities.

(h) Write the concept of a moral hazard problem. Distinguish between moral hazard and adverse selection.

(i) What is oligopoly? Explain the main features of oligopoly.

4. Answer the following questions : *(any two)*

12×2=24

(a) Explain critically Ricardian theory of rent and drawing a distinction between scarcity rent and differential rent.

(b) What is Pareto optimality? State the marginal conditions for pareto optimality. Explain the marginal condition of pareto optimality for exchange with the help of Edgeworth Box diagram.

1+3+8=12

(c) Discuss Bertrand's model of oligopoly taking the case of two firms. How does it differ from Cournot's model?

9+3=12

(d) What is meant by market failure? Discuss the role of externalities and public goods in causing market failure

2+10=12

---