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4 SEM TDC ECOH (CBCS) C 8

2024

(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 option/Answer the following : 1×8=8

(a) What is Pareto efficiency?

- (b) The theory of Second Best was formulated by
- (i) Kaldor and Hicks
 - (ii) Lipsey and Lancaster
 - (iii) Bergson and Samuelson
 - (iv) None of the above
- (c) The profit maximising output level for a monopolist occurs at the point where
- (i) total cost is minimised
 - (ii) total revenue is maximised
 - (iii) total revenue = total cost
 - (iv) the TR and TC curves are parallel
- (d) The kinked demand model was suggested by
- (i) Kaldor
 - (ii) Samuelson
 - (iii) Sweezy
 - (iv) None of the above

- (e) A two-person zero-sum game means that the
- (i) sum of losses to one player is equal to the sum of gains to other
 - (ii) sum of losses to one player is not equal to the sum of gains to other
 - (iii) no player gains or loses
 - (iv) None of the above
- (f) Which of the following is not a characteristic of oligopoly market?
- (i) Mutual interdependence
 - (ii) Substantial barrier to entry
 - (iii) No barrier to entry
 - (iv) Relatively small sellers
- (g) Which of the following statements is not true?
- (i) If social costs are higher than private costs, external costs are present.

(4)

(ii) If a product generates external costs, fewer resources should be devoted to its production.

(iii) Consumer will buy too much of the product that creates external benefits.

(iv) In the presence of externalities, resources are not used optimally.

(h) In case of positive externality, external effect generates

(i) costs to a third party

(ii) benefits to a third party

(iii) consumption externality

(iv) None of the above

2. Write short notes on any four of the following : $4 \times 4 = 16$

(a) Excess capacity

(b) Sources of monopoly

(5)

(c) Cartels

(d) Entry deterrence

(e) Adverse selection

3. (a) Using production possibility frontier and Edgeworth exchange box diagram, explain the concept of General Equilibrium in a competitive market.

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Or

(b) What is Pareto optimality? State the conditions of Pareto optimality regarding—

(i) distribution of goods between individuals;

(ii) allocation of resources between firms. $4+4+4=12$

4. (a) Distinguish between simple monopoly and discriminating monopoly. Show graphically how a discriminating monopoly attains equilibrium. $4+7=11$

(6)

Or

(b) What is price discrimination? Explain and distinguish between the first, the second and the third degree of price discrimination with examples.

2+3+3+3=11

5. (a) What is kinked demand curve? How does it help in explaining price rigidity under oligopoly?

3+8=11

Or

(b) Explain how equilibrium output and price are determined in Cournot's duopoly model. State the underlying assumptions.

8+3=11

6. (a) Distinguish between cooperative and non-cooperative game. Explain the concept of Nash equilibrium.

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Or

(b) Explain the threats, commitments and credibility.

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(Continued)

(7)

7. (a) What is Coase theorem? How can it help to solve the problem of negative externalities?

4+7=11

Or

(b) What is meant by externalities? Explain the external costs and external benefits with appropriate examples. How does the existence of externalities affect efficient allocation of resources?

3+4+4=11

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