

**SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2016**

(CUCSS)

Economics

ECO 2C 05—MICRO ECONOMICS THEORY AND APPLICATIONS—II

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

**Part A***Answer all questions.**Each question carries ¼ weightage.*

1. Each product or factor market is considered as independent as self contained for the proper explanation of the determination of price and quantity of a commodity or a factor is :
  - (a) Partial equilibrium.
  - (b) General equilibrium.
  - (c) simultaneous equilibrium.
  - (d) None.
2. Transformation curve is called :
  - (a) Production possibility curve.
  - (b) Contract curve.
  - (c) Iso product curve.
  - (d) None.
3. When return to scale increases the transformation curve would be ?
  - (a) Concave.
  - (b) Convex.
  - (c) Straight-line.
  - (d) None.
4. "The Political economy of population" by :
  - (a) A. C. Pigou.
  - (b) Graff.
  - (c) Radhakamal Mukherjee.
  - (d) None.
5. Pareto concept of maximum social welfare is based upon :
  - (a) Ordinal utility.
  - (b) Cardinal utility.
  - (c) Both (a) and (b)
  - (d) None.
6. Kaldor criterion and Hicks criterion were :
  - (a) Similar.
  - (b) Different.
  - (c) Fairly similar.
  - (d) None.

Turn over

7. The theory of second best is formulated by :
- (a) Walras. (b) Cyert and March.  
(c) Lipsey and Lancaster. (d) Hall and Hitch.
8. According to Kalecki, as the value of degree of monopoly increases, the share of wages :
- (a) Increases. (b) Decreases.  
(c) Both (a) and (b). (d) Zero.
9. According to Marx, wages are determined by :
- (a) Surplus value. (b) Labour theory of value.  
(c) Deficit value. (d) None.
10. The term widows cruse refers to :
- (a) Supply which is inexhaustible.  
(b) Supply which is exhaustible.  
(c) Supply which is transferrable.  
(d) None.
11. According to Passinetti, in the long run the distribution of income between workers and capitalists is influenced by the propensity of :
- (a) Workers to save. (b) Capitalists to invest.  
(c) Producers to produce. (d) None.
12. "The allocation of resources among industries and firms" are analysed by the :
- (a) Theory of pricing. (b) Theory of distribution.  
(c) Theory of production. (d) Theory of consumption.

(12 × ¼ = 3 weightage)

### Part B

*Answer any five questions.  
Each question carries 1 weightage.*

13. Find the dual of the following primal :

$$\text{Minimize } Z = 4X_1 + 2X_2 + X_3$$

$$\text{subject to } X_1 + X_2 \leq 10$$

$$3X_1 + X_2 + X_3 \geq 23$$

$$7X_1 - X_3 = 6$$

$$X_1, X_2, X_3 \geq 0.$$

14. What are the assumptions of  $2 \times 2 \times 2$  model ?
15. Prove Eulers theorem.
16. Theory of second best.
17. Open input output model.
18. Market failure.
19. Adverse selection.
20. Externality.

(5 × 1 = 5 weightage)

### Part C

*Answer any **eight** questions.  
Each question carries 2 weightage.*

21. Input output analysis.
22. Uniqueness, existence and stability in general equilibrium.
23. Kaldor-Hicks compensation criteria.
24. Bergson Samuelson social welfare function.
25. Ways of correcting market failure.
26. Efficiency wage theory.
27. Theory of monopoly by Kalecki.
28. Passinetti model of distribution.
29. Arrows Impossibility theorem.
30. Principal agent problem.
31. Solve the following linear programming problem graphically.

$$\text{Maximize } Z = 60X_1 + 40X_2$$

$$\text{subject to } -2X_1 + X_2 \leq 60$$

$$X_1 \leq 25$$

$$X_2 \leq 35$$

$$X_1, X_2 \geq 0.$$

(8 × 2 = 16 weightage)

Turn over

**Part D**

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

32. Ricardian theory of distribution.
33. Pareto optimality criteria.
34. Market for lemons.
35. Externalities and property rights.
36. Solve the following linear programming problem by using simplex method.

$$\text{Maximize } Z = 6X_1 + 4X_2$$

$$\text{subject to } -2X_1 + X_2 \leq 2$$

$$X_1 - X_2 \leq 2$$

$$3X_1 + 2X_2 \leq 9$$

$$X_1, X_2 \geq 0.$$

(3 × 4 = 12 weightage)