C 42627 (Pages : 4) Name..

Reg. No...................................

SECOND SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2023

(CBCSS)

Economics

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

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Part A

Answer **all** *questions.*

Each bunch of **five** *questions carries* 1/5 *weightage.*

1. Which of the following is the characteristic of a common pool resource is :

    A) Non- excludable and Non- rivalrous.

    B) Non- excludable and Rivalrous.

    C) Excludable and Rivalrous.

    D) Excludable and Non- rivalrous.

2. A graphical illustration used to explain efficiency conditions and the allocations of some goods and resources can be, improved through an exchange is called :

    A) Production possibility curve. B) Phillips curve.

    C) Edgeworth box diagram. D) Social indifference curves.

3. The locus of pareto optimality in production and consumption is given by :

    A) The social welfare function. B) The utility possibility function.

    C) The transformation curve. D) The grand utility possibility curve.

4. Public roads are examples of :

    A) Global public goods. B) Club goods.

    C) Quasi public goods. D) Common resources.

Turn over

5. The point from which an individual makes a consumption decision is :

    A) Efficient point.
    B) Reference point.

    C) Contract point.
    D) None of the above.

6. The slope of the production possibility curve is the :

    A) Marginal rate of exchange.

    B) Marginal rate of substitution.

    C) Average rate of transformation.

    D) Marginal rate of transformation.

7. Adverse selection arises because of :

    A) Lack of information.
    B) Wrong information.

    C) Asymmetrical information.
    D) Uncertainty of future.

8. Which is the better measure of welfare ?

    A) National Income.
    B) Per Capita Income.

    C) Per Capita Disposable Income.
    D) Gross National Product.

9. The theory of second best was formalized by :

    A) Pigou.
    B) Lipsey.

    C) Kaldor.
    D) Bergson.

10. A change that makes no one better-off and at least one worse-off is led to ———————— in social welfare.

    A) Increase.
    B) No change.

    C) Decrease.
    D) Efficiency.

11. Pigovian tax is a solution for :

    A) Asymmetric information.
    B) Moral Hazard.

    C) Lemons problem.
    D) Externality.

12. Tendency of individuals to value an item more when they own it than they do not is known as :

    A) Bandwagon effect.
    B) Veblen effect.

    C) Endowment effect.
    D) Demonstration effect.

13. The consumption position in which the consumer is neither a borrower nor a lender :

    A) Polonius point.
    B) Lindahl point.

    C) Bliss point.
    D) Nudge point.

14. Which of the following is not a way of dealing with externalities ?

    A) Internalization.
    B) Raising taxes.

    C) Increasing competition.
    D) Creating an additional market.

15. "Social choice and individual values" is written by :

    A) Kenneth J Arrow.
    B) Charles Tiebout.

    C) Amartya Sen.
    D) Allan M Feldman.

$(15 \times 1/5 = 3 \text{ weightage})$

Part B (Very Short Answer Questions)

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

16. What do you mean by the free-rider problem ?

17. State the theorem of welfare economics.

18. What is general equilibrium analysis.

19. Define behavioural economics.

20. What do you mean by the efficiency of a competitive market ?

21. What is block pricing ?

22. What do you mean by exchange economy ?

23. Explain Rawl's theory.

$(5 \times 1 = 5 \text{ weightage})$

Part C (Short Answer Questions)

Answer any **seven** *questions.*
Each question carries weightage of 2.

24. Distinguish between diversifiable and non-diversifiable risk.

25. Explain the contract curve.

Turn over

26. Examine the net present value criterion of capital investment.

27. Discuss the elements of general equilibrium analysis.

28. What are the solutions of market failure ?

29. Critically evaluate Arrows impossibility theorem.

30. Briefly explain the biases in decision making.

31. Write a short note on Lindahl's pricing.

32. What do you mean by market failure ?

33. Distinguish between positive and negative externalities.

$(7 \times 2 = 14 \text{ weightage})$

Part D (Essay Questions)

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

34. Examine the efficiency wage theory.

35. Explain "tragedy of commons" with suitable examples and solutions.

36. Discuss the different criteria of social welfare.

37. Analyse the Capital Asset Pricing Model.

$(2 \times 4 = 8 \text{ weightage})$