PG Even Semester Exam, May 2025

Economics

2nd Semester

COURSE NO. ECO-551

[Micro Economic Analysis -II]

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

Answer five questions, taking one from each Unit

UNIT-I

1. Derive the equilibrium conditions in a 2x2 general equilibrium model with prices. In this context, state and specify the role of Walras' Law. 5+3=8

   State the conditions for existence of the equilibrium. 2

   Prove, that the equilibrium is efficient. 4

2. a. Write a short note on the Arrow-Debreau conditions for existence of equilibrium in a general equilibrium model. 6

b. Explain and critically analyse the statement (stability) condition in a general equilibrium framework. 8

UNIT-III

3. a. What are the conditions of Pareto optimality? What are the limitations of Pareto optimality? 8+2=10

   b. Illustrate the theory of second Best. 4

4. a. Discus any 'compensation criterion' of social welfare maximization. 4

   b. Derive a Grand utility possibility frontier using both the direct and alternative methods. 10

UNIT-III

5. a. Define the concept of 'expected utility and illustrate its role (with example) in taking decision among two investment proposals having different magnitude of risks. 4+6=10

   b. Show how a risk-averse person can minimize his risk through insurance. 4

6. a. Construct an utility index to deal with a hypothetical uncertain situation. 6

   b. Discuss the concept of 'Tit-for-Tat' strategy in an oligopoly. What are the pre-conditions for an optimal 'Tit-for-Tat' strategy. 4+4=8

UNIT-IV

7. What do you mean by 'market failure'? Explain how 'externality' causes market failure. Suggest measures to minimize such problems. 2+4+8=14

8. a. Illustrate any method of pricing of exhaustible recourses for achieving sustainability. 10

   b. Critically analyse the effects of foreign investment on the receiving nation. 4

UNIT-V

9. Asymmetric information in wage determination in labour market creates a major problem. –Explain. Illustrate the role of education as a signal of productivity in this regard. 6+8=14

10. Write short notes on (any two) : 7x2=14

    a. The market for lemons

    b. Economics of search

    c. Separating and Pooling Equilibria

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