Register Number:

ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27
M.A. ECONOMICS- I SEMESTER
SEMESTER EXAMINATION: OCTOBER 2019
EC 7218: MICRO ECONOMIC THEORY

Time: 2.5 Hours **Maximum Marks-70**

This question paper has one printed page and three parts

Part A. Answer any five of the following: 2 X 5=10

1. Show that the sum of the price and income elasticities of demand for a commodity is zero.
2. What do you mean by indirect utility?
3. State the Excess capacity in case of monopolistic competitive market.
4. Explain the shape of LAC in case of modern theory of cost.
5. State Arrows impossibility theorem.
6. State with diagram the Edgeworth Contract curve.
7. Why demand curve become kinked shaped in case of Sweezy model?

Part B. Answer any three of the following: 10 X 3 = 30

8. An entrepreneur has 100 thousand rupees to spend on labour and raw materials. He hires L quantity of labour at an annual price 2 per unit and buys M quantity of raw material at price 1 per unit (both prices are in terms of thousand rupees). Find L and M if he wants to get as much output as possible when the production function is given by Q = 10 LM.

9. Construct a set of indifference curves in each of the following two cases:
   a) If the person does not like 'risk' but does like 'return'.
   b) If the consumer likes both bread and egg but he believes that beyond 6 slices of bread a day, bread is bad and beyond 3 eggs a day, egg is bad.

10. Discuss and compare the effects of imposition of price control on a competitive market and a monopoly market.

11. What do you mean by externality? "Externalities destroy the optimality of the market economy", elucidate it.

12. Explain the concept of monopolistic and monopsonistic exploitation of labour. Can labour unions always eliminate such exploitation?

Part C. Answer any two of the following: 15 X 2 = 30

13. In the context of a duopoly with two firms A and B, discuss the nature of equilibrium output solutions, in each of the following cases:
    a) Firm A behaves as the output leader and firm B as the follower, i.e, B firm behaves autonomously, but not firm A.
    b) Both the firms A and B are behaving as output leaders, i.e, none of them behave autonomously.

14. How does the Hicks decomposition separate the income effect and the substitution effect of a price change? Using the Hicks decomposition, show that the Giffen condition can hold only for inferior goods.

15. Explain the Kaldor Hicks compensation criterion and Bergsons criterion in case of social welfare function.

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