

FIRST SEMESTER M.A. DEGREE EXAMINATION, DECEMBER 2014

(CUCSS)

Applied Economics

Paper I—MICRO ECONOMIC THEORY

Time : Three Hours

Maximum :36 Weightage

Part A*Answer all questions. Each branch of 4 questions carries weightage 1.***A. Multiple choice**

- 1 According to Wicksell changes in the value of capital when techniques do not change is called
 - (a) Value effect
 - (b) Price effect
 - (c) Rent effect
 - (d) None of these.
- 2 The mode of heterogenous capital which validate the neo classical proposition is called.
 - (a) CES Production function
 - (b) VES Production function
 - (c) CD Production function
 - (d) None of these.
- 3 Linear expenditure system differs from indifference curve analysis :
 - (a) Groups of commodities between which no substitution is possible.
 - (b) Substitution is possible between all groups and goods.
 - (c) Substitution is ruled out between groups.
 - (d) None of the above.
- 4 Arrow has suggested that a SWF should have the following attributes.
 - (a) Condition of unrestricted domain
 - (b) Non dictatorship
 - (c) Pareto principle
 - (d) All the above.

B. Multiple Choice type

- 5 The possibility that an individual's behaviour may change because she/he has insurance is an example of :
 - (a) Adverse selection
 - (b) Principal agent problem
 - (c) Moral hazard
 - (d) None of these.
- 6 Conrnots due poly leads to
 - (a) State equilibrium
 - (b) Unstable equilibrium
 - (c) Disequilibrium
 - (d) Neutral equilibrium.

Turn over

7 A linked demand curve involves a marginal revenue curve that

- (a) has a break (b) has a link
(c) is smooth and continuous (d) cuts across the demand curve.

8 Traditional economic theory could not explain choices involving risk as it assumed that

- (a) Marginal Utility always decreases
(b) Marginal Utility always Increases
(c) Marginal Utility first declines and then rises.
(d) Marginal Utility first rises and then declines.

C. Fill in the blanks.

9 The Indifference curve was first evolved by

10 Cross elasticity of demand between tea and sugar is

11 MRTS of an L shaped isoquant is

12 The corrective tax to solve externality problem is called

D. State True or False.

13 Arbitrage pricing theory is a supply side model.

14 The supply curve of land to a use of Industry is elastic and slopes upwards.

15 An important characteristic of marginal ratio of technical substitutes is that it diminishes as more and more labour is substituted for capital.

16 Linear homogenous production represents the case of constant returns to scale.

(4 X 1 = 4 weightage)

Part B

Answer any ten questions. Each question carries a weightage of 2.

17 What is product exhaustion theorem ?

18 Explain the theory of second best.

19 Explain comparative static analysis.

20 Explain Sweezy's kinked demand model of Oligopoly.

21 Give a brief account of linear expenditure system.

22 Explain modified model of pasinetti's.

23 Explain surrogate production function.

24 Explain prisoner's dilemma and its implications for Oligopolistic pricing.

25 Explain Friedman Savage hypothesis.

26 What are the features Scitovsky criterion.

- 27 Explain Pareto optimality criterion.
28 Discuss the relation between externalities and property rights.

(10 x 2 = 20 weightage)

Part C

Essay questions.

- 29 Explain Baumols theory of sales maximization.
30 Explain household portfolio decisions under risk and uncertainty.
31 Examine the state preference theory.
32 Explain the basic features and mechanism of input output analysis.
33 Examine the interdependence and Interminateness of demand curve order Oligopoly.

(3 X 4 = 12 weightage)