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ECONOMICS

Paper : CC-8

(Intermediate Microeconomics—II)

Full Marks : 80

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Choose the correct answer from the following : 1×6=6
- (a) Monopolistic competition is a market situation in which the number of sellers is
- (i) large
 - (ii) small
 - (iii) two
 - (iv) one
- (b) For profitable price discrimination, the elasticity of demand in different markets must be
- (i) different
 - (ii) same
 - (iii) different or same
 - (iv) None of the above

(2)

- (c) The conditions of Pareto optimum can be fulfilled under
- (i) perfect competition
 - (ii) imperfect competition
 - (iii) both (i) and (ii)
 - (iv) Neither (i) nor (ii)
- (d) In an economy of two individuals (A and B) and two commodities (X and Y), general equilibrium of exchange is reached when
- (i) $MRS_{XY}^A \neq MRS_{XY}^B \neq P_X / P_Y$
 - (ii) $MRS_{XY}^A = MRS_{XY}^B \neq P_X / P_Y$
 - (iii) $MRS_{XY}^A = MRS_{XY}^B = P_X / P_Y$
 - (iv) $MRS_{XY}^A \neq MRS_{XY}^B = P_X / P_Y$
- (e) There is rivalry and exclusiveness in the use of
- (i) public good
 - (ii) private good
 - (iii) public bad
 - (iv) None of the above
- (f) Public goods are those goods for which consumption is
- (i) rival
 - (ii) regulated
 - (iii) non-rival
 - (iv) unregulated

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(Continued)

(3)

2. Answer the following questions : 2×5=10
- (a) Distinguish between individual welfare and social welfare.
 - (b) What is monopoly market?
 - (c) Write the effect of product differentiation on demand for the product.
 - (d) What is asymmetric information?
 - (e) Mention the objectives of welfare economics.
3. Answer any six of the following questions : 5×6=30
- (a) What is market failure? Mention the sources of market failure.
 - (b) Point out the features of monopolistic competitive market.
 - (c) Explain the problem of free riding.
 - (d) Write five assumptions of zero-sum game.

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(Turn Over)

(4)

- (e) Explain briefly the degrees of price discrimination.
- (f) Show that a general competitive equilibrium is also a Pareto optimal.
- (g) What is oligopoly? What are its main classifications?
- (h) State Pareto's criterion of social welfare and explain it using Edgeworth box diagram.
- (i) Discuss the concept of Nash equilibrium.

4. Answer any *two* of the following questions :

10×2=20

- (a) What is general equilibrium? Using Edgeworth box diagram, explain the general equilibrium of pure exchange economy.
- (b) Explain the short-run and long-run monopoly equilibrium.
- (c) Explain the case of negative externality. How can it be internalized? 5+5=10

(5)

5. Answer any *one* of the following questions : 14

- (a) Explain the short-run and long-run equilibrium of a firm under monopolistic competition.
- (b) What is Pareto optimality? State and explain the conditions of Pareto optimality regarding—
 - (i) distribution of goods between individuals;
 - (ii) allocation of resources between firms.
