TDC (CBCS) Even Semester Exam., 2023

ECONOMICS

(Honours)

(4th Semester)

Course No. : ECOHCC–401T

(Intermediate Microeconomics—II)

Full Marks : 70
Pass Marks : 28

Time : 3 hours

The figures in the margin indicate full marks for the questions

SECTION—A

Answer any *ten* of the following questions : 2×10=20

1. State the Walras' law with an example.

2. Distinguish between partial equilibrium and general equilibrium analyses.

3. Are economic efficiency and Pareto optimality same? Give reasons.

4. Mention various sources of monopoly power in the market.

5. What are the characteristics of monopolistic competition?

6. Write the situations in which price discrimination is profitable.

7. What is meant by two-person zero-sum game?

8. Define pay-off matrix.

9. Distinguish between the pure strategy and mixed strategy.

10. Write the assumptions of Cournot duopoly model.

11. What does the leader firm do in Stackelberg model? Can the leader firm earn more profit than his follower?

12. State the Bertrand model.

13. Write the two important sources of market failure.

14. Define the concept of public good. Give one example.

15. What do you mean by internalization of externalities?

SECTION—B

Answer any *five* of the following questions : 10×5=50

16. Describe the construction of Edgeworth box diagram. Show how general equilibrium is attained in production with the help of an Edgeworth box. 5+5=10

17. Describe general equilibrium in the context of product mix economy with perfect competition in product and factor market.

18. Explain how a monopolist determines his price and output in the long run. How is the long-run equilibrium under monopolistic competition different from that of monopoly? 6+4=10

19. What do you mean by the term 'excess capacity'? Explain Chamberlin's theory of group equilibrium in monopolistic competition. 3+7=10

20. The pay-off matrix for a two-person zero-sum game is given below :

Player A \ Player B	I	II	III	IV	V
I	-2	0	0	5	3
II	3	2	1	2	2
III	-4	-3	0	-2	6
IV	5	3	-4	2	-6

(a) Find the optimal strategy for Player *A*.

(b) Find the optimal strategy for Player *B*.

(c) Find the value of the same.

(d) Find the saddle point.

(e) Is the game fair? 2+2+2+2+2=10

21. *(a)* What do you understand by optimal strategies?

(b) What are the optimal strategies for person *A* and person *B* in the Prisoner's dilemma?

(c) Solve the game for which the pay-off matrix is given by

Player A \ Player B	B_1	B_2	B_3
A_1	2	4	3
A_2	1	-2	-3
A_3	0	6	1

22. *(a)* Explain the differences between the Bertrand model and the Stackelberg model of oligopoly.

(b) Diagrammatically explain the Stackelberg model and show where the equilibrium occurs in this model. 3+7=10

23. *(a)* Discuss the Cournot model of oligopoly.

(b) Show using reaction functions that the Cournot equilibrium is a stable one. 6+4=10

24. Explain the Coase theorem of property rights. What are the criticisms levelled against the application of Coase theorem? 6+4=10

25. What is externality? Explain the case of government intervention in solving the problem of externality. 2+8=10

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