

# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



M.A. DEGREE EXAMINATION – ECONOMICS

SECOND SEMESTER – APRIL 2016

EC 2808 – MICRO ECONOMIC THEORY - II

Date: 16-04-2016

Dept. No.

Max. : 100 Marks

Time: 01:00-04:00

## PART – A

Answer any FIVE questions in about 75 words each.

(5 x 4 = 20 marks)

1. What is meant by full cost pricing? State the reasons for adopting the same.
2. State the Managerial and Job security constraints of Marris Model.
3. State the important features of coefficient matrix.
4. What is meant by Nash equilibrium? Give an example.
5. What is meant by welfare economics? List out various models of welfare criterion.
6. State the features of Input – Output analysis.
7. State Pareto's criterion and optimality.

## PART – B

Answer any FOUR questions in about 250 words each.

(4 x 10 = 40 marks)

8. Discuss the critiques of the Neo-classical theory.
9. Determine price and output situation of the dominant firm price leadership model.
10. Discuss the Bain's model of limit pricing theory with suitable diagrammatic representation.
11. What is meant by dominated strategy? Find the equilibrium from the given data using iterative elimination of dominated strategy.

		Player - 2	
		X	Y
Player – 1	A	5, 2	4, 2
	B	3, 1	3, 2
	C	2, 1	4, 1
	D	4, 3	5, 4

12. Elucidate the concept of Grand Utility Possibility Frontier and the point of Constrained Bliss.
13. Discuss Pareto's concept of welfare economics in terms of market mix.
14. Suppose the market demand is  $P = 105 - 2.5 X$  and the cost of the first firm  $C_1 = 5X_1$  and second firm is  $C_2 = 15 X_2$ . Find the equilibrium price and output of the low cost firm leader and profit maximization output of the second firm.

**PART – C**

**Answer any TWO questions in about 1200 words each.**

**(2 x 20 = 40 marks)**

15. Discuss the situation of price rigidity of the kinked demand curve hypothesis. Do you agree that the price rigidity is possible forever under kinked demand curve hypothesis? If not, state your concluding remarks from the model.
16. Discuss the critiques of the compensation principle.
17. Discuss the features and critiques of Bergson and Samuelson’s model of Social Welfare Choice and Social Welfare Function.
18. From the given Transaction matrix find the following:
  - a. Input – output system through Leontief method
  - b. Co-factor matrix
  - c. Output of agriculture and manufacturing sectors and labour requirements.

**Input Coefficient Matrix**

	<b>Users of Outputs</b>				
	<b>Sectors</b>	<b>Agriculture</b>	<b>Industry</b>	<b>Transport</b>	<b>Final Demand</b>
<b>Producers of Inputs</b>	Agriculture	0.1	0.2	0.2	50 crores
	Industry	0.2	0.3	0.2	100 crores
	Transport	0.2	0.2	0.2	25 crores
	Labour	0.5	0.3	0.4	-
	Total Output	1.0	1.0	1.0	-

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