



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.A. DEGREE EXAMINATION – ECONOMICS

SECOND SEMESTER – NOVEMBER 2016

EC 2808 - MICRO ECONOMIC THEORY - II

Date: 08-11-2016
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

PART – A

Answer any five questions in about 75 words each.

(5x4 = 20 Marks)

1. What is meant by full cost pricing? State the reasons for adopting the same.
2. State the assumptions of the neoclassical theory.
3. State the Managerial and Job security constraints of Marris Model.
4. What is meant by Nash equilibrium? Give an example.
5. What is meant by Leadership? State the role of the leader. And list out the types of price leadership model.
6. State Pareto's Criterion and Optimality.
7. Elucidate Scitovsky's model of double criterion.

PART – B

Answer any four questions in about 300 words each.

(4x10 = 40 marks)

8. Discuss the Bain's model of limit pricing theory with suitable diagrammatic representation.
9. Examine Marris model of Managerial Enterprise Equilibrium.
10. Elucidate the concept of Grand Utility Possibility Frontier and the point of Constrained Bliss.
11. Suppose Firms A and B are the only competitors in the Oligopoly market for a product. The price in the market is given by increased demand function. The costs of the two firms are also given. Find the best response Nash equilibrium.

$$P = 10 - Q$$

$$C_A = 4 Q_A$$

$$C_B = 2 Q_B$$

12. Describe the conditions and models of Arrow's Impossibility theorem.
13. 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

14. Determine price and output situation of the dominant firm price leadership model.

Part – C

Answer any two questions in about 1200 words each.

(2 x 20 = 40 Marks)

15. State the conditions of the dominant firm price leadership model. And estimate the price and output of dominant firm price leadership model, if $S = 0.4P$, $D = 100 - 0.3P$ and $C = 4X$.
16. Discuss the critiques of the Compensation Principle.
17. Analyze the features and critiques of Bergson and Samuelson's model of Social Welfare Choice and Social Welfare function.
18. Elucidate the concept of compensation principle of Kaldor-Hicks and explain the theory of Social Welfare function.
