

2018  
ECONOMICS  
ECO: 2.1  
MICRO ECONOMICS -II

Full Marks: 80

Time: 3 Hours

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

- 1) Answer the following questions (within 50 words): 2x4
- a) What is expected utility?
  - b) What is the basic issue which Walrus explores his general equilibrium theory?
  - c) What is multiple equilibrium? 2
  - d) Define social welfare function 2
- 2) Answer the following questions (within 100 words): 5x4=20
- a) Determine marginal rate of substitution. Find out relationship of marginal rate of substitution to marginal utilities? 2+3
  - b) Discuss the theory of second best 5
  - c) How would you explain the convexity of an indifference curve?
  - d) Describe the methods to eliminate moral hazard.
- 3) Answer any two the following questions 10x2= 20
- a) What is asymmetric information? Discuss Market signal process to eliminate the problem of adverse selection that occurred due to asymmetric information the market. 2+8=10
  - b) Explain the Linear Expenditure system.

- c) Diagrammatically discuss circular flows in a two sector economy under general equilibrium analysis. 10
- d) What is risk? Explain why different person's preference towards risk is different? Explain diagrammatically.  $2+8=10$
- 4) Answer any two the following questions 16x2= 32
- a) Explain the Revealed Preference theory. Derive Indifference Curve through Revealed Preference approach.

OR

- b) What is asymmetric information? Discuss Market signal process to eliminate the problem of adverse selection that occurred due to asymmetric information in the market.
- c) What is grand utility possibility frontier? Show the derivation of grand utility possibility frontier. 3+13=16

OR

- d) State and derive the conditions for Pareto optimality in consumption, production and product mix. In the same context, state and prove the first fundamental theorem of welfare economics
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