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63/2 (SEM-2) ECO 2.1

2022

**ECONOMICS**

(Theory Paper)

Paper Code : ECO 2.1

**(Micro Economics - II)**

Full Marks - 80

Time - Three hours

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

1. Answer the following questions (within 50 words each) : 2×4=8

- (a) What is Externality ?
- (b) What is price elasticity of demand ?
- (c) What is operative profit constraint ?
- (d) Explain Managerial utility function.

[Turn over

2. Answer the following questions (within 150 words each) :  $5 \times 4 = 20$

- (a) Write a short note on :  
Absolute Cost Advantage of existing firm.
- (b) Buyer and Seller both cannot maximize profit under Bilateral Monopoly. Explain.
- (c) Write a short note on :  
Managerial Discretion.
- (d) Write a short note on :  
Externality in Production.

3. Answer any *two* of the following questions :  $10 \times 2 = 20$

- (a) Explain diagrammatically Backward Bending Supply Curve of Labour.
- (b) A Union can increase the total wage bill either by increasing the wage rate or by increasing the level of employment or both. Explain.
- (c) Explain the compensation principles of welfare.
- (d) Explain the Contribution of Arrow and Debreu in General Equilibrium Aspect.

4. Answer the following questions :  $16 \times 2 = 32$

- (a) Elaborate the Cyert and March "Behavioural Model" of managerial theory. Distinguish between Traditional Model and Behavioural Model.

Or

- (b) State and derive the condition for Pareto Optimality in Consumption, Production and Product Mix. Also explain why Pareto Optimality is a necessary but not a sufficient condition for welfare maximization.

$11 + 5 = 16$

- (c) "All prices and quantities in all markets are determined simultaneously through their interaction with one another." Explain.

Or

- (d) Critically explain Baumol's Static model without advertising.