[PART-B : Descriptive]

Time : 2 hrs. 40 min. Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. Suppose a firm is a monopsonist in the market for labour it hires. The firm can hire the quantity of labour at $W=25+5L$. If MRP of labour is $100-5L$, where L is the labour employment and W is the wage rate then how many numbers of workers the firm will hire and what wage rate will it pay? 5+5 =10

2. Distinguish between monopolistic and monopsonistic exploitation of labour and illustrate diagrammatically. 10

3. With the help of Edgeworth Production Box diagram, explain the general equilibrium of production. What does the production contract curve indicate? 8+2 =10

4. How is Grand Utility Possibility Frontier derived? Examine its significance in the attainment of maximum social welfare. 5+5 =10

5. What is Pareto improvement? Discuss the marginal conditions of Pareto optimality. 2+8 =10

6. "General equilibrium of exchange occurs at a point on the exchange contract curve" Explain. Can there be two such points? 8+2 =10

7. State kaldor-Hicks criterion of judging social welfare. Explain with the help of utility possibility curve how it judges the social welfare impact of an economic policy which makes some persons better off and other worse off. 2+8 =10

8. How does a rise in wage rate affect labour supply? Distinguish between income effect and substitution effect of rise in wage rate? How do they affect labour supply? 2+6+2 =10

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MA ECONOMICS
SECOND SEMESTER
MICRO ECONOMIC ANALYSIS – III
MEC-202

(Use Separate Answer Scripts for Objective & Descriptive)

Duration : 3 hrs. Full Marks : 70

[PART-A : Objective]

Time : 20 min. Marks : 20

Choose the correct answer from the following: ***1×20=20***

1. An employer will continue to hire units of a variable factor until MRP
   - a. Equals its AFC
   - b. More than AFC
   - c. Less than MFC
   - d. Equals its MFC

2. Wage offer curve shows the relationship between
   - a. Wage offered by two competing firms
   - b. Wage rate and general price level
   - c. Money income and real income
   - d. Money income of an individual and the work effort that he is ready to put in.

3. Income effect results in
   - a. Upward sloping supply curve of labour
   - b. Downward sloping supply curve of labour
   - c. Backward sloping supply curve of labour
   - d. Zero slope of supply curve of labour

4. A negatively sloped supply curve of labour of an individual indicates that the substitution effect of an increase in the wage rate is
   - a. Equal to income effect
   - b. Weaker than income effect
   - c. Stronger than income effect
   - d. Either (B) and (C) depending upon his income level

5. With perfect competition in the labour market and monopoly in the product market the monopsonistic exploitation of labour is equal to the difference between
   - a. MU and AW
   - b. MRP and AW
   - c. VMP and MRP
   - d. MRP and ARP

6. Where there is perfect competition in the labour market as well as the product market, labour will be subjected to
   - a. Monopolistic Exploitation
   - b. Non exploitation
   - c. Monopsonistic exploitation
   - d. Both (A) and (B)

7. Collective bargaining refers to
   a. Inter-union discussions aimed at resolving an industrial dispute
   b. Negotiation between employer's associations and workers' union
   c. The determination of factor price in a collective economy
   d. Government trade union decisions on industrial legislation.

8. Under Condition of monopsony in the labour market, the trade unions can succeed in achieving higher wage rates
   a. Without decreasing employment   b. With increasing employment
   c. Without unemployment   d. All the above

9. Assume a production function $Y=L^{\alpha}K^{1-\alpha}$ (Y= output, L= Labour and K= Capital) for a firm in a purely competitive market. Which one of the following would measure the share of labour in output?
   a. α b. $L(\alpha)$
   c. L^{α} d. None of these

10. If an individual is observed to work to less in response to an increase in the wage rate for his service, this implies that
   a. For this individual leisure is a normal good
   b. For this individual leisure is an inferior good
   c. The individual is irrational
   d. Leisure could be a Giffen good

11. When both the demand and supply curves slopes downwards and the demand curve is steeper than the supply curve, the equilibrium is
   a. Stable in both Marshalian and Walrasian sense
   b. Unstable in both Marshallian and Walrasian sense
   c. Stable in the Marshallian sense but Unstable in the Walrasian sense
   d. Unstable in Marshallian Sense but stable in the Walrasian sense

12. According to the Kaldor- Hicks Compensation criterion, a change in economic policy leads to an improvement in social welfare, if
   a. The gainers can just compensate the losers
   b. The losers can profitably bribe the gainers to induce them to stay in the old position
   c. The gainers can compensate the losers for their loss and still remain better-off themselves than before
   d. The losers do not oppose the change

13. An ethical or value judgment must be made in order to derive the
   a. Transformation curve   b. Grand Utility Possibility Curve
   c. Consumption Contract Curve   d. Social Welfare function

14. The backward-bending supply curve for labour exists
   a. Whenever income effect overcomes substitution effect   b. Only in inflationary condition
   c. Only in labour intensive industry   d. Only in a high cost industry

15. Welfare economics is the study of how
   a. The allocation of resources affects economic well-being
   b. A price ceiling compares to a price floor
   c. The government helps poor people
   d. A consumer's optimal choice affects her demand curve

16. The slope of the production possibility frontier shows
   a. The marginal rate of substitution between the two goods.
   b. The relative marginal costs of the two goods.
   c. The efficient combination of outputs possible using fixed amounts of input.
   d. The relative marginal productivities of the two goods.

17. The allocation of commodities at the point at where the indifference curves of individuals are tangent is
   a. Production efficient   b. Consumption efficient
   c. Fair   d. Utility-consumption efficient

18. The marginal rate of transformation is:
   a. The negative slope of the production possibilities curve.
   b. The rate at which an economy can transform one output into another
   c. The rate at which an economy can transform one input into another
   d. A and B

19. To maximize his/her utility, the individual will choose the combination of two commodities such that
   a. MRTS= price   b. MRS = price
   c. MRTS = price ratios   d. MRS = price ratios

20. Jim is studying the equilibrium of two markets simultaneously, he is said to be using
   a. General equilibrium analysis   b. Partial equilibrium analysis
   c. Comparative statics   d. Marginal theory analysis

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