2014

ECONOMICS

(Major)

Paper: 2.1

Full Marks: 80

Time: 3 hours

The figures in the margin indicate full marks for the questions

1. Answer the following as directed: 1 × 10 = 10

(a) State the equilibrium condition of a labour market under perfect competition.

(b) The determination of the factor price is concerned with functional distribution / personal distribution.

   (Choose the correct answer)

(c) State the second-order condition of Pareto optimality.

(d) Net Profit = Gross Profit – ——.

   (Fill up the blank)

(e) In which form of price discrimination consumer surplus is zero?

14A-4500/1606A (Turn Over)
(2)

(f) What is the present value of a future income $X_i$ after a year, if rate of discount is $r$?

(g) For a firm under perfectly competitive market, 'shut down' point falls below SAC where $\text{SAC} = \text{SMC}$ / where $\text{SAC} = \text{SAVC}$ / where $\text{SAVC} = \text{SMC} = P$.

(Choose the correct answer)

(h) The concept of 'social optimum' was introduced to the welfare economics by ——.

(Fill up the blank)

(i) What is differential rent?

(j) Under collective bargaining, wage rate is ——.

(Fill up the blank)

(3)

(d) Define economic rent. Does it arise in case of land alone? 1+1=2

(e) State the duel criterion of Pigou for maximization of social welfare. 2

3. Answer any four of the following questions:

(a) Explain the derivation of short-run supply curve of a firm under perfectly competitive market. 5

(b) Does rent enter into the price? Explain. 5

(c) What is meant by product differentiation? How does it affect firm's demand curve? 2+3=5

(d) What is payback period? The cost of an investment project is ₹ 20,000. It generates cash inflows in different years as ₹ 4,000; ₹ 8,000; ₹ 6,000 and ₹ 4,000. Calculate the payback period. 2+3=5

(e) Explain the concept of excess capacity. 5

(f) "An important function of an entrepreneur is to introduce innovation in the economy and profits are the reward for making innovation.” Critically analyze the statement. 5

14A—4500/1606A (Continued)
4. Answer any four of the following questions:

(a) What are the pre-requisites of price discrimination by a monopolist? How does a discriminating monopolist allocate his outputs in different markets to charge different prices?

(b) Explain the derivation of long-run supply curve for an increasing cost industry in a perfectly competitive market model.

(c) Explain the wage determination when there is perfect competition in the product market and monopsony in labour market.

(d) What is proportional and perceived demand of firms operating under monopolistic competition? Explain the long-run equilibrium of a firm under monopolistic competition with the help of these demand curves.

(e) Diagrammatically explain the marginal conditions for attaining the efficiency in the distribution of product and factors.

(f) Explain clearly the modern theory of rent. In what respect it is an improvement over Ricardian theory of rent?

(g) Explain the dual exploitation of labour arisen in case of bilateral monopoly. How does collective bargaining try to solve this problem?