PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MA DEGREE EXAMINATION MAY 2023
(Second Semester)

Branch – ECONOMICS

ADVANCED MICRO ECONOMIC THEORY - II

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)
Answer ALL questions
ALL questions carry EQUAL marks   (5 x 1 = 5)

1 The concept of Cost-Plus pricing was developed by
   (i)   Hall and Hitch   (ii) Williamson
   (iii) J.S. Bain   (iv) Modigliani

2 The risk bearing theory of profit was developed by _____.
   (i)   G.J. Stigler   (ii) F.B. Hawley
   (iii) J.B. Clark   (iv) Schumpeter

3 _____ is the father of welfare economics.
   (i)   Adam Smith   (ii) William Beveridge
   (iii) A.C. Pigou   (iv) Kenneth J. Arrow

4 _____ developed partial equilibrium analysis.
   (i)   Leon Walras   (ii) Joan Robinson
   (iii) Alfred Marshall   (iv) Leontief

5 Mean variance portfolio theory also known as_____
   (i)   Modern Portfolio Theory   (ii) Classical Portfolio Theory
   (iii) Modern Profitability Theory   (iv) Minimum Portfolio Theory

SECTION - B (15 Marks)
Answer ALL Questions
ALL Questions Carry EQUAL Marks   (5 x 3 = 15)

6 a Briefly explain the shortcomings of marginal analysis.
                    OR
   b Bring out the implications of the Williamson's model of managerial discretion.

7 a Describe the relationship between technological progress and income distribution.
                    OR
   b Describe briefly the main features of Schumpeter's innovation theory of profit.

8 a Explain the general theory of second best.
                    OR
   b How does asymmetric information lead to market failure?

9 a State the assumptions of partial equilibrium in economic analysis.
                    OR
   b Discuss the existence, uniqueness and stability of equilibrium in economic analysis.

10 a Explain the concept of expected utility principle.
                    OR
   b Illustrate the modern utility analysis of choice under risk and uncertainty.

SECTION -C (30 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** Marks   (5 x 6 = 30)

11 a   Critically analyze the Baumol's Sales revenue maximization theory.
                                  OR
   b   Discuss the Sylos-Labini's model of limit-pricing based on scale-barriers to entry.

12 a   Justify the J.B. Clark's product exhaustion theorem.
                                  OR
   b   Critically examine the Ricardian theory of rent.

13 a   Analyze the positive and negative effects of market failure.
                                  OR
   b   Examine critically Arrow's impossibility theorem of social welfare.

14 a   Elucidate Walrasian excess demand and input-output approaches to general
       equilibrium.
                                  OR
   b   Discuss the existence uniqueness and stability of equilibrium with the help of
       diagrams.

15 a   Exhibit the consumer behaviour towards risk and insurance.
                                  OR
   b   Describe Markowitz mean-variance portfolio optimization framework.

                    Z-Z-Z   END