



Ba/EC4.M4

2025

(FYUGP)

(4th Semester)

ECONOMICS

(MINOR)

Paper : EC4.M4

(Intermediate Microeconomics—II)

Full Marks : 75

Pass Marks : 40%

Time : 3 hours

(PART : B—DESCRIPTIVE)

(Marks : 50)

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

Answer five questions, taking one from each Unit

UNIT—I

- 1. Explain with diagram the modern theory of wage.** 10
- 2. Explain with diagram the Ricardian theory of rent.** 10

UNIT—II

3. Critically explain dynamic theory of profit. 10
4. Critically explain uncertainty theory of profit. 10

UNIT—III

5. Explain the conditions of welfare maximisation. 10
6. What is meant by value judgements? Explain the role of value judgements in welfare economics. 2+8=10

UNIT—IV

7. Explain with diagram the determination of long-run equilibrium of a firm under monopolistic competition. 10
8. Critically examine Sweezy's kinked demand curve model. 10

UNIT—V

9. Explain externalities in consumption and production. 10
10. Explain briefly the following concept : 5+5=10
 - (a) Principal-agent problem
 - (b) Hidden actions

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Paper : EC4.M4

(Intermediate Microeconomics—II)

(PART : A—OBJECTIVE)

(Marks : 25)

The figures in the margin indicate full marks for the questions

1. Choose the correct answer and put a Tick (✓) mark
against the brackets provided : 1×15=15

(a) Marginal productivity of labour refers to

(i) total output produced by all
workers ()

(ii) additional output produced by an extra
worker ()

(iii) average output per worker ()

(iv) wage rate per worker ()

- (b) Higher wages in dangerous jobs are due to
- (i) Government subsidies ()
 - (ii) worker preference ()
 - (iii) compensating wage differentials ()
 - (iv) minimum wage laws ()
- (c) Scarcity rent is primarily associated with
- (i) capital-intensive industries ()
 - (ii) natural resources with fixed supply ()
 - (iii) technological innovation ()
 - (iv) labour market competition ()
- (d) The concept of 'Creative destruction' in Schumpeter's theory means
- (i) destroying competition to earn profits ()
 - (ii) Government intervention ()
 - (iii) entrepreneurs avoiding innovation ()
 - (iv) innovation replacing old technologies and businesses ()
- (e) According to Schumpeter, who plays the most crucial role in innovation?
- (i) Consumer ()
 - (ii) Entrepreneur ()
 - (iii) Government ()
 - (iv) Large corporation ()

(f) According to the Rent theory of profit, profits arise due to

(i) entrepreneurial skill or monopoly ()

(ii) innovation in business ()

(iii) economic fluctuations ()

(iv) wage rise ()

(g) Which of the following is not a factor in Clark's dynamic theory?

(i) Population growth ()

(ii) New technology ()

(iii) Static demand ()

(iv) Capital expansion ()

(h) The paternalist criterion suggests that welfare should be decided by

(i) Government or policymakers ()

(ii) individual preferences ()

(iii) market forces ()

(iv) social consensus ()

- (i) Which of the following best describes Pareto improvements?
- (i) Gains with no loss ()
 - (ii) Loss for efficiency ()
 - (iii) Redistribution of wealth ()
 - (iv) Reduction in total output ()
- (j) A Government policy that supports welfare maximisation is
- (i) unrestricted labour market ()
 - (ii) reduced corporate taxes ()
 - (iii) free public healthcare ()
 - (iv) price deregulation ()
- (k) Monopoly pricing often results in
- (i) full market efficiency ()
 - (ii) perfect price competition ()
 - (iii) low profit margins ()
 - (iv) reduced consumer surplus ()
- (l) Which of the following is an example of third-degree price discrimination?
- (i) Fixed price tickets ()
 - (ii) Personalized pricing ()
 - (iii) Bulk purchase deals ()
 - (iv) Student discounts ()

(m) Cournot equilibrium is reached when

- (i) prices are at their lowest level ()
- (ii) all firms set identical price ()
- (iii) no firm wants to change its output ()
- (iv) one firm dominates the market ()

(n) Public goods are characterised by

- (i) non-rivalry and non-excludability ()
- (ii) free pricing and private ownership ()
- (iii) high competition and low demand ()
- (iv) market driven supply and demand ()

(o) The main factor leading to moral hazard is

- (i) full transparency in transactions ()
- (ii) competition between firms ()
- (iii) risk being shared by another party ()
- (iv) fixed pricing in the market ()

(6)

2. Write short notes on any *five* of the following : $2 \times 5 = 10$

(a) Wage differential

(b) Rent

(c) Innovation

(d) Price discrimination

(10)

(e) Adverse selection

(f) Signaling

(g) Externalities

(h) Product differentiation
