2026

(FYUGP)

(7th Semester)

ECONOMICS

(MINOR)

Paper Code : EC7.M7

(Advanced Microeconomics)

Full Marks : 75
Pass Marks : 40%

Time : 3 hours

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

(PART : A—OBJECTIVE)

(*Marks* : 25)

SECTION—I

(*Marks* : 15)

Choose the correct option : 1×15=15

1. In Stackelberg model, the follower responds to the leader's

(a) price

(b) output

(c) cost

(d) profit

2. In price leadership, the leader
   (a) sets price
   (b) sets wages
   (c) sets output
   (d) sets tax

3. In bilateral monopoly, the bargaining range depends on
   (a) tax rates
   (b) reservation prices
   (c) fixed costs
   (d) consumer surplus

4. Baumol's minimum profit constraint ensures
   (a) cost minimization
   (b) output maximization
   (c) managerial survival
   (d) price stability

5. Williamson's managerial utility includes
   (a) staff expenditure
   (b) managerial perquisites
   (c) discretionary investment
   (d) All of the above

6. Hall-Hitch pricing is based on
   (a) full cost
   (b) marginal cost
   (c) fixed cost
   (d) average cost

(Continued)

7. Ricardo's rent arises mainly from differences in
   (a) scarcity of labour
   (b) saving propensity
   (c) fertility of land
   (d) capital accumulation

8. In Kalecki's theory, higher monopoly power tends to raise
   (a) profit share
   (b) wage share
   (c) rent share
   (d) tax share

9. Kaldor's distribution theory emphasises different
   (a) tax rates
   (b) spending propensities
   (c) interest rates
   (d) saving propensities

10. A Pigouvian tax corrects
   (a) externality
   (b) inflation
   (c) unemployment
   (d) monopoly

11. Under Kaldor's criterion, compensation must be

(a) actual
(b) equal
(c) potential
(d) government-funded

12. Rawls' principle gives priority to

(a) richest
(b) average income
(c) total income
(d) worst-off

13. General equilibrium requires

(a) all consumers have equal incomes
(b) all markets clear simultaneously
(c) all firms earn normal profits
(d) all prices remain constant

14. A convergent cobweb shows

(a) falling fluctuations
(b) rising fluctuations
(c) constant fluctuations
(d) no fluctuation

15. A Leontief technical coefficient shows

(a) input per output
(b) profit per output
(c) price per output
(d) tax per output

SECTION—II

(*Marks* : 10)

Write short notes on any *five* of the following : 2×5=10

1. Phantom freight

2. Kinked demand hypothesis

3. Bilateral monopoly

4. The full-cost pricing rule of Hall and Hitch

5. Ricardian theory of rent

6. Product exhaustion theory

7. Value judgement

8. Theory of second best

9. Leontief inverse in input-output analysis

10. Linear programming

(PART : B—DESCRIPTIVE)

(*Marks* : 50)

Answer the following questions : 10×5=50

1. *(a)* Describe the Stackelberg duopoly model.

Or

(b) Explain the single basing-point and multiple basing-point price systems.

2. *(a)* Explain Marris's managerial enterprise model, highlighting the separation of ownership and control, conflicting objectives.

Or

(b) Explain the limit pricing principle as an entry-deterrence strategy, highlighting its conditions and limitations.

3. *(a)* Explain Kalecki's theory of distribution with reference to the degree of monopoly and the determination of profits.

Or

(b) Explain Pasinetti's theory of distribution and discuss its modification of Kaldor's model.

4. *(a)* Explain the Bergson-Samuelson social welfare function and discuss the role of value judgements in determining social welfare.

(Continued)

Or

(b) "Potential compensation does not necessarily imply an actual improvement in social welfare." Critically examine this statement in the context of the Kaldor-Hicks criterion.

5. *(a)* Explain the conditions for convergence, divergence and continuous fluctuations in the Cobweb model. Critically examine their economic significance.

Or

(b) Critically examine how the Leontief input-output model establishes general equilibrium through inter-industry interdependence.

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