6. (a) Define the social welfare functions and explain its role in evaluating the overall welfare. (10)

(b) Explain the concept of fair allocation as they relate to envy and equity. (8)

[This question paper contains 4 printed pages.]

Your Roll No..............

आपका अनुक्रमांक............

Sr. No. of Question Paper : 1656 **I**

Unique Paper Code : 2922102301

Name of the Paper : Microeconomics - II

Name of the Course : **B. A (H) Business Economics**

Semester : III

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt all parts of a particular question together.
3. Illustrate your answer with diagram, wherever required.
4. Attempt FIVE questions in all. Question No. 1 is compulsory.

1. Write short notes on any 3 of the following using appropriate examples and diagrams:

P.T.O.

a) Excess capacity in Monopolistic competition

b) Equilibrium in bilateral monopoly

c) Pareto efficient allocation using Edgeworth box

d) Prisoner's Dilemma and Dominant Strategy.

e) Arrow's impossibility theorem. (6*3)

2. a) How do firms determine their output level in the short run under perfect competition, and how does this differ from long-run equilibrium? (10)

b) Using diagram explain how perfect competition is more allocatively efficient as compared to monopoly. (8)

3. The market demand for a homogeneous product is given by:

$P = 300\text{-}Q$ where $Q = Q_1 + Q_2$

Both firms have constant marginal costs:

$MC_1 = MC_2 = 40$

a) Calculate the Cournotequilibrium for each firm, assuming that each chooses the output level that maximizes its profit when taking the rival's output as given. What are the profits for each firm? (10)

b) Calculate Stackelbergequilibrium quantities if firm 1 is the leader and firm 2 is the follower. What are the profits for each firm in Stackelberg equilibrium? (8)

4. a) Explain the marginal productivity theory of labour. How does this theory determine the wage rate in a competitive labour market? (10)

b) Using diagram illustrate the backward-bending labour supply curve. How does it illustrate the trade-off between income and leisure for workers? (8)

5. a) Explain Walras' Law and its implications for the existence of general equilibrium in an economy. (10)

b) Discuss the first welfare theorem and second welfare theorem as they relate to market efficiency and resource allocation. (8)