2014

M.A. / M.Sc.

1st Semester Examination

PAPER—ECO-103

Full Marks : 40

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Group—A

1. Answer any *two* questions of the following : 2×2

(a) Define Market. What is its role in the organisation of economic life. 1+1

(b) Define technological optimality of a firm. 2

(c) What do you mean by leverage condition of a firm ? 2

(d) What is conglomeration ? Why does it occur ? 1+2

2. Answer any *one* question of the following : 1×6

(a) Derive the SOC of cost minimisation subject to output constraint. Is it a necessary or a sufficient condition ? 5+1

(b) Critically examine the features of a perfectly competitive market. 6

3. Answer any *one* question of the following : 1×10

(a) What do you mean by market failure ? What are the major types / modes of market failure ? What is the role of externality in market failure ? 2+5+3

(b) Define information cost. Explain how the concept of information cost is used for the existence of a firm.

Group—B

4. Answer any *two* questions of the following : 2×2

(a) What are mergers ?

(b) Distinguish between blockaded entry and accommodated entry ?

(c) What is Sunk Cost ?

(d) State the Bain Sylos Postulate.

5. Answer any *one* question of the following : 1×6

(a) Consider a two period leader-follower game where firms decide how much capital to invest. Find for what value of entry cost there exists entry deterrence.

(b) What are Contestable markets ? Explain with a diagram the contestable markets equilibrium. 2+4

6. Answer any *one* question of the following : 1×10

(a) What is a concentrated industry ? How do you measure concentration ? 3+7

(b) What is horizontal merger ? Show that under a Cournot market structure, a horizontal merger among firms leading to an increase in concentration does not necessarily imply an overall welfare reduction. Given that there are two firms producing homogeneous product and the unit costs of production, $C_1 = 1$ and $C_2 = 4$ and the demand be $p = 10 - Q$.

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