

MASTER OF ARTS EXAMINATION, 2018
(2nd Year, 4th Semester)
ECONOMICS (HONOURS)
COMPREHENSIVE-I (OLD)

Time: $2\frac{1}{2}$ Hours

Full Marks: 50

GROUP – A

1) (a). Consider a firm with conditional factor demand functions of the form

$$x_1 = 1 + 3w_1^{-\frac{1}{2}}w_2^a \qquad x_2 = 1 + bw_1^{\frac{1}{2}}w_2^c$$

Suppose output is set equal to 1 for convenience. Find the values of the parameters a , b and c ?

(While answering, provide brief logic) (4+4+4.5)

OR

(b). (i) The indifference curves in a lottery space are concave and parallel - Prove whether this statement is true, false or uncertain.

(ii) State and explain briefly when a local optimum can become a global optimum.

(6.5+6)

(2). (a). (i) Explain whether the following statement is True, False or Uncertain:

‘Iterated elimination of strictly dominated strategies always yields a unique prediction in a game’.

(ii). Give conditions under which a pure strategy equilibrium will exist in a game with finite players. (7+5.5)

OR

(b). (i) Consider a simple Cournot duopoly model (complete information) where the market demand is given by $P = a - q_1 - q_2$. Each firm has constant marginal cost given by c_1 and c_2

respectively where $c_i < a \forall i = 1, 2$. Find the Nash equilibrium of the game if $0 < c_i < \frac{a}{2}$ for each

firm. What if $c_1 < c_2 < a$ but $2c_2 > a + c_1$? (ii). Explain the concept of upper-hemicontinuous correspondence.

(7.5+5)

[Turn over

GROUP – B**Answer any four of the following six questions:****(4x3 = 12)**

1. Comment in brief on the efficacy of the policies suggested by Malinvaud for removing unemployment.
2. Does extension of Kaldor's macroeconomic ideas in the global context affect policy conclusions regarding the North-South terms of trade? Explain briefly.
3. Explain in brief the role Tatonmmment mechanism played in the development of Benassy's disequilibrium framework.
4. Explain in brief the relationship between the rigidity of profit mark-up and unemployment.
5. Do the neoclassical and Keynesian theories of consumption function make different assumptions regarding the behaviour of the consumers?
6. How did Clower explain Keynesian consumption function?

Answer any one question

7. Consider a standard Ramsey model. Now consider an exogenous government consumption that is financed by imposition of per capita lump sum taxation. What will be the impact of government consumption and taxation on per capita consumption and per capita physical capital at the steady state? How will the results change if the government consumption is financed by tax on return to capital instead of lump sum taxation. Explain your answer with the help of diagram. 13

Or,

8. What are the differences between endogenous growth models and exogenous growth models. Discuss how A K model attempted to overcome the limitation of Ramsey model. What are the limitations of AK model? How does Frankel Romer model solve these limitations?

3+4+2+4=13