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(February)

ECONOMICS

(Honours)

(**Advanced Economic Theory**)

Marks : 75

Time : 3 hours

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

Answer **five** questions, taking **one** from each Unit

UNIT—I

1. Using compensating variation method, compare the price effect for a fall in the price of good X assuming good X is—
 - (a) a normal good;
 - (b) a Giffen good.
 What inference can be drawn on the income effect based on the above? 6+6+3=15

2. What are the axioms of revealed preference theory? Explain how indifference curves can be derived from the theory. 5+10=15

UNIT—II

3. (a) State the conditions for producer's equilibrium and
 Maximize $X = f(L, K)$
 subject to $\bar{C} = wL + rK$ 2+7=9

- (b) What is Euler theorem? Prove the theorem given $Q = AL + BK$ where
 1. 2+4=6

4. What is an expansion path? Can the capital-output ratio change along the expansion path? Discuss expansion path along a linear homogeneous production function. 3+3+9=15

UNIT—III

5. Explain the reasons for uniformity and symmetry assumptions to study group equilibrium. Discuss long-run group equilibrium under monopolistic competition. 5+10=15

6. What is the role of value judgement in welfare economics? Critically discuss Bergson criterion. 5+10=15

(3)

UNIT—IV

7. Explain the components of high-powered money and show the formal relation between high-powered money and money supply. 5+10=15
8. State the objectives of credit control. Comparing the bank rate and open market operations, which is a more effective instrument of credit control? 5+10=15

UNIT—V

9. Critically discuss Hayek's monetary over-investment theory of business cycle. 15
10. What is balance of payments? What are the causes and consequences of disequilibrium in balance of payments? 2+6+7=15
