

5/H-16 (v) (Syllabus-2017)

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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

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

UNIT—II

- (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  $Q = AL^\alpha K^\beta$  where  $\alpha + \beta = 1$ . 2+4=6
- 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

- Explain the reasons for uniformity and symmetry assumptions to study group equilibrium. Discuss long-run group equilibrium under monopolistic competition. 5+10=15
- What is the role of value judgement in welfare economics? Critically discuss Bergson criterion. 5+10=15

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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

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