

EC10006

University of Bath

DEPARTMENT OF ECONOMICS AND INTERNATIONAL DEVELOPMENT

Year I : Semester I : EC10006

INTRODUCTORY MICROECONOMICS

Friday, 28 January 2005. 1300 – 1500

PLEASE WRITE YOUR NAME IN THE SPACE PROVIDED IN THE  
ANSWER BOOK AND SEAL THE FLAP WITH YOUR  
CANDIDATE NUMBER LABEL

A calculator is not required for this examination

ANSWER ALL QUESTIONS FROM SECTION A  
AND  
ONE QUESTION FROM SECTION B

## **EC10006 Introductory Microeconomics**

**Answer ALL questions from Section A and ONE question from Section B.**

Sections A and B comprise 50% of the total marks each.

### **Section A**

1. Outline the static and dynamic effects on social welfare of monopolising a perfectly competitive industry? [10 marks].
2. Is 'inferiority' a necessary or sufficient condition for 'Giffeness'? Explain. [10 marks]
3. What is: (a) a Nash equilibrium?; (b) a Dominant Strategy? [10 marks]
4. What is the highest wage that a monopsonist can be forced to pay that will not jeopardise the number of workers it employs? [10 marks]
5. Outline an economic case for student grants? [10 marks]

### **Section B**

6. Illustrate graphically the conditions under which an individual would buy:  
(a) a 'full and fair' insurance contract?  
(b) a national lottery ticket?
7. 'There is no satisfactory theory of oligopoly.' Discuss.
8. Illustrate the potential for an inverse relationship between the supply of labour and the wage rate. What are the possible implications of this relationship?
9. Is there a role for Government intervention in a modern market economy? If so, what form should it take?
10. Why might a firm remunerate equally productive groups of workers differentially?