

Mock paper:

To give an idea of the structure and coverage of the paper as it differs from previous years

MA Economic Theory and Applications

You have two hours to answer three questions. You must answer at least one question from section A and at least one question from section B.

Question 1

Consider a utility function, $U = x^{1/2}y^{1/2}$ and budget constraint, $M = p_y y + p_x x$.

- Solve for the Marshallian demand functions (30%)
- Derive the indirect utility function. (10%)
- Solve for the expenditure function. (30%)
- Derive the Hicksian demand functions (10%)
- Show the four sets of functions are related (20%)

Question 2

Show how consumer theory can be developed by specifying a utility function or by providing a set of axioms of choice based on preference and indifference. What are the relative advantages of the former?

Question 3

Consider the Cobb-Douglas production function $Q = A K^\alpha L^\beta$

- Identify whether it shows increasing, decreasing or constant returns to scale (20%)
- Assuming the firms are price takers and profit maximisers find the marginal productivity conditions and the factor shares (40%)
- Derive the SRTC function, ATC, and MC (40%)

Question 4

Compare and contrast how markets adjust to equilibrium via Walrasian and Marshallian processes. What are the implications of expectations for market adjustments?

Question 5

“Game theory provides an invaluable way of understanding oligopolistic behaviour”
Discuss

Section B.

Question 6

“The new consensus macroeconomics removes the need for further debate”

Question 7

“A better informed government cannot affect the level of equilibrium output, but can reduce the variance.” Discuss.

Question 8

“Inflation is not a monetary phenomenon”. Discuss.

Question 9

“All unemployment is voluntary”. Discuss

Question 10

“Endogenous growth models contribute little to our understanding of economic growth”
Discuss