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ATTACH THE QUESTION PAPER WITH THE ANSWER BOOKLET

Date: 20-4-21

**ST JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE - 27**

**M.A. ECONOMICS-II SEMESTER**

**SEMESTER EXAMINATION- APRIL-2021**

**EC 8318: INSTITUTIONAL ECONOMICS**

**ALSO FOR 2017 BATCH**

### Duration: 2.5 Hours Max Marks: 70

**This question paper has 1 printed page and 3 parts**

**PART A: Answer any FIVE of the following questions 2x5=10**

1. Distinguish between formal & informal institutions with examples.
2. What is methodological individualism? Explain with example.
3. Elucidate adverse selection in real estate market.
4. State the tragedy of commons.
5. Explain Nash Equilibrium.
6. What is a property right? Illustrate with example.
7. State any four shortcomings of legal enforcement mechanism.

**PART B: Answer any THREE of the following questions 10x3=30**

1. Discuss the critique of neoclassical economics presented by new institutional economics.
2. Use Akerlof’s ‘market for lemons’ to explain the working of a company led showroom selling second hand cars.
3. Explain how ill-defined property rights result in market failure.
4. Explain the role of transaction costs (i) in the theory of the firm and (ii) in the Coasian theorem of property rights.
5. Discuss the role of state in the process of institutional change.

**PART C: Answer any TWO of the following questions 15x2=30**

1. Examine the NPA crisis in the banking sector in India in the light of adverse selection. What are the causes for the failure of these banking institutions? What are the possible methods to strengthen the banking institutions?
2. Discuss asymmetric information in the insurance market. What are the possible solutions to eliminate/reduce asymmetric information in this market?
3. Give a brief account of the economic theory of corruption. What are the consequences of corruption in developing countries? Elucidate with example from India.

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