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| **ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27** | | | | | | |
| **M.A. ECONOMICS – II SEMESTER** | | | | | | |
| **SEMESTER EXAMINATION: APRIL 2020** | | | | | | |
| **EC8318: INSTITUTIONAL ECONOMICS** | | | | | | |
|  |  |  |  |  |  |  |
| **Time- 2 1/2 hrs** | |  | **Max Marks-70** | | |  |

**This paper contains 1 printed page and three parts**

**Part A**

**Answer any FIVE of the following 2x5=10**

1. What are the two kinds of free riders?
2. What is meant by signalling?
3. What is ‘bounded rationality’?
4. How does the problem of moral hazard arise in the insurance sector?
5. What are formal and informal institutions? Give an example for each.
6. Give the meaning of asymmetric information.
7. What is agency cost?

**Part B**

**Answer any THREE of the following 10x3=30**

1. Explain the concept of principal agent problem with suitable examples.
2. Write a note on transaction costs.
3. Examine the outcomes of ill-defined property rights.
4. Discuss new institutional economics in terms of the neo classical assumptions.
5. Write a note on the fallacies of methodological individualism.

**Part C**

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

1. Explain how Akerlof’s ‘market for lemons’ highlights the problem of a potential buyer of a second hand car.
2. Discuss principle agent problem in the context of corruption. Establish the relation between corruption and development.
3. Examine the relationship between institutions and development. What are the major institutional changes suggested by Douglas North for development to happen?