B.A. (Honours) Examination, 2019

Semester–IV (CBCS)

Economics

Course – CC-8

(Intermediate Microeconomics-II)

Time: Three Hours **Full Marks: 60**

Questions are of value as indicated in the margin.

Question no. **1** is **compulsory**. Attempt another ***four*** from the rest.

1. (a) Show that if the monopolist's inverse demand curve is linear, its marginal revenue curve is also linear, and has twice the slope of the inverse demand curve.

   (b) Suppose that a firm produces and sells Q units of output and the market clears. Total cost of production is C(Q)=mQ+F. If any entrant would have the same cost, does this market have a natural monopoly? 5+7

2. Diagrammatically explain how does a government limit monopolist's market power by using price regulation policy. In this respect compare the welfare effects of optimal and non-optimal price regulation. 6+6

3. (a) What do you understand by price discrimination in monopoly?

   (b) A monopolist produces with constant marginal cost of m=20, and sells in two countries and can prevent reselling between these countries. The inverse linear demand curve is $P_1=100-Q_1$ in country 1 and $P_2=100-2Q_2$ in country 2. What price does the monopolist charge in each country? What quantity does it sell? Does it price discriminate? Why? 2+10

4. Why can not a monopolistically competitive firm earn supernormal profit in the long run? Explain this phenomenon elaborating the adjustment process from short run to long run equilibrium. 4+8

5. (a) What do you mean by Cournot conjecture? How does it differ from Bertrand conjecture?

   (b) The inverse of market demand in a homogeneous duopoly market is given by P=120 – Q where $Q = Q_1+Q_2$. Firm 1 produces at a constant marginal cost of m_1=20 while that of firm 2 is m_2=40. Calculate the output of each firm, market output and price if the duopolists behave like Cournot competitors. 3+9

6. (a) How would the equilibrium location of duopolistic firms along the road be determined if consumers are located uniformly along the road and transportation cost is an increasing function of distance the consumer travels.

   (b) Examine Stackelberg model of quantity leadership in an oligopolistic market. 6+6

7. What is Pareto efficiency? Both mathematically and diagrammatically explain how Pareto efficiency in consumption can be achieved in a 2X2X2 general equilibrium structure. 2+10

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