2024

ECONOMICS — HONOURS

Paper : CC-8

(Intermediate Microeconomics - II)

Full Marks : 65

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Group - A

1. Answer *any ten* questions :

   (a) What is the perfect price discrimination?   2

   (b) What is adverse selection? Give an example of a market in which adverse selection might be a problem.   1+1

   (c) What do you mean by asymmetric information?   2

   (d) Mention two sources that give rise to Monopsony power.   2

   (e) State Coase theorem.   2

   (f) What is contract curve?   2

   (g) Identify one competitive and one monopolistic elements of monopolistic competition.   2

   (h) Find Nash equilibrium of the following game :   2

		Firm 2	
		A	B
	X	(3, 3)	(2, 4)
Firm 1	Y	(4, 2)	(1, 1)

   (i) What is property right?   2

   (j) Does economic efficiency lead to equity?   2

   (k) Can an economy ever reach general equilibrium in the real world?   2

   (l) What would a linear product transformation curve indicate?   2

   (m) Explain why the existence of increasing returns to scale may not ensure maximum social welfare in a society.   2

   (n) Give an example of each of (i) external economy of production and (ii) external diseconomy of consumption.   2

   (o) Why do public goods give rise to a free-rider problem?   2

Please Turn Over

Group - B

2. Answer *any three* questions :

   (a) Explain why the Sweezy thesis is regarded as an expost rather than as an exante explanation of market power.   5

   (b) If all markets in an economy are perfectly competitive, Pareto efficiency will be automatically reached. Do you agree? Justify your answer.   5

   (c) Show that MR curve bisects the horizontal intercept made by the linear demand curve.   5

   (d)   (i) What do you understand by price leadership in the context of an oligopoly market?

       (ii) State the reasons of establishment of barometric price leadership.   2+3

   (e)   (i) When do externalities require government intervention?

       (ii) When is such intervention not necessary?   3+2

Group - C

3. Answer *any three* questions :

   (a) Consider a duopolist with product differentiation in which the demand and cost functions are $q_1 = 88-4p_1 + 2p_2$, $C_1 = 10\ q_1$ and $q_2 = 56 + 2p_1 - 4p_2$, $C_2 = 8\ q_2$ for firm I and II respectively. Derive the reaction function for each firm on the assumption that each firm with respect to its own price. Determine equilibrium values of price, quantity and profit of each firm.   3+7

   (b)   (i) How does a multiplant monopolist operate in the market in long-run?

       (ii) A monopolist can charge different prices in two separate markets whose demand functions are as follows :

$$q_1 = 21-0.1p_1,\ q_2 = 50 - 0.4p_2,\ \text{the total cost being } C = 200 + 10\ (q_1 + q_2)$$

       Find out his optimum price, quantity in each market and his total profit.   4+6

   (c)   (i) Analyse how a perfectly discriminating monopolist maximises his profit.

       (ii) Can he do so along the inelastic portion of the demand curve?

       (iii) What paradoxical result follows from the output equilibrium under perfect price discrimination?   6+2+2

   (d)   (i) Examine the view that in monopolistic competition excess capacity would exist only when there is non-price competition coupled with free entry.

       (ii) Explain the economic significance of excess capacity in the context of monopolistic competition according to the view of Chamberlin.   7+3

   (e)   (i) What do you understand by bilateral monopoly in labour market?

       (ii) Why are wages and employment levels indeterminate in such a situation? Explain with the help of suitable diagram.   2+8