2025

ECONOMICS — HONOURS

Paper : DSCC-9

(Microeconomics-III)

Full Marks : 75

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 : 2×10

(a) Define monopsony.

(b) What do you mean by moral hazard?

(c) Explain the concept of conjectural variation.

(d) Define perfect price discrimination.

(e) Calculate the Lerner index if price (P) = ₹ 20 and marginal revenue (MR) = ₹ 10.

(f) Mention two features of a monopolistic competitive market.

(g) What is a contract curve?

(h) Define natural monopoly.

(i) What is meant by the Tragedy of the Commons?

(j) What do you mean by negative externality?

(k) Between an oligopolist and a monopolist, who will be more interested to advertise? Give reason.

(l) Define an isoprofit curve.

(m) Mention two reasons for the emergence of monopoly.

(n) What is a multiplant monopolist?

(o) Define marginal revenue product of labour.

Group - B

2. Answer ***any five*** questions :

(a) "There is a practice of charging higher prices during peak periods when capacity constraints lead to high marginal costs." — Justify the statement. 5

(b) How can you measure the deadweight loss due to the inefficiency of monopoly? 5

(c) What do you mean by price leadership? Explain the concept of barometric price leadership in this context. 2+3

(d) Distinguish between perceived and proportional demand curve. 5

(e) Let the demand function be given by $P = a - bQ$ and the cost function be given by $C = eQ^2 + fQ$. Determine the revenue maximizing and profit maximizing output, when a, b, e, $f > 0$. 2+3

(f) What is a Nash Equilibrium? Determine the Nash Equilibrium from the following table where A and B are the players : 5

Strategies of Player A	Strategies of Player B	
	1	2
1	(2,1)	(0,0)
2	(0,0)	(1,2)

(g) Explain the difference between adverse selection and moral hazard with an example. 5

(h) "The long run equilibrium under monopolistic competition is characterized by excess capacity." —Justify the statement. 5

Group - C

Answer ***any three*** questions.

3. (a) How wages can be determined in an imperfectly competitive labour market? Explain the concept of monopsonistic exploitation in this context.

(b) Is it possible for the trade unions to eliminate the exploitation and raise the wage rate? (4+1)+5

4. (a) Why does a monopolist operate at the elastic portion of the demand curve?

(b) Is it possible for the monopoly equilibrium to occur at the falling portion of the marginal cost curve?

(c) A monopolist operates in two markets and faces the following demand functions in market-I and market-II respectively.

$P_1 = 80 - 5Q_1$

$P_2 = 180 - 20Q_2$

The cost function is given by $C = 50 + 20\ (Q_1 + Q_2)$.

Determine the price and output in each of these markets. Prove that higher price is charged in the market with lower price elasticity of demand. 2+2+(1+1+1+1+2)

5. (a) Why is the MR curve in Sweezy Model discontinuous? In this context show that the oligopolistic prices are rigid in Sweezy's model.

(b) Show that the Nash Equilibrium does not necessarily lead to efficient outcomes with the game of Prisoner's Dilemma. 6+4

6. (a) Discuss the Pareto optimality condition of efficiency in consumption or exchange.

(b) Show that Pareto optimality conditions are satisfied under perfect competition. 5+5

7. (a) Show that for a linear demand curve of a monopolist, the marginal revenue curve bisects the horizontal intercept made by the demand curve.

(b) Consider a duopolistic market for an identical product with the following market demand function and the cost functions of the firms 1 and 2.

$P = 100 - 0.5 (Q_1 + Q_2)$; $C_1 = 5Q_1$, $C_2 = 0.5Q_2^2$

Determine the output in each market, total output and price with the assumption that each firm maximizes its profit with respect to its own price. 4+6
