

U.G. 4th Semester Examination 2022

ECONOMICS (Honours)

Paper Code : ECOH - DC-8

(Intermediate Microeconomics - II)

Full Marks : 32

Time : Two Hours

*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

Answer any *four* of the following questions.

2×4=8

1. Define Pareto efficiency.
2. What do you mean by market failure?
3. How price is affected by the negative externality in production?
4. If the cost function is given by $C = 50 + 40Q$, estimate the Lerner Index of monopoly power when price (P) is 70 unit.
5. What is cartel?
6. What are the basic elements of a game?

Group - B

Answer any *four* of the following questions.

4×4=16

7. Show how the equilibrium of a multiplant monopolist is determined.
8. In a two commodity-two consumer framework show the efficient distribution of commodities using a Edgeworth box diagram.
9. How price is determined when a monopsonistice buyer faces a monopolistic seller?

[P.T.O.]

10. Show diagrammatically the net benefit to the society when there is a positive externality in consumption.
11. Write a note on 1st degree price discrimination.
12. Show that Lerner's Index of monopoly power is reciprocal of price elasticity of demand.
13. Two firms compete by choosing price. Their demand functions are :

$$Q_1 = 20 - P_1 + P_2 \text{ and } Q_2 = 20 + P_1 - P_2$$

where P_1 and P_2 are prices charged by each firm respectively and Q_1 and Q_2 are resulting demands. Marginal costs are zero.

If the two firms set their prices at the same time, find the resulting Nash equilibrium. What price will each firm charge and how much will the each sell?

14. Define asymmetrical information. How does it lead to market failure?

Group - C

Answer any *one* of the following questions.

8×1=8

15. Critically explain the Stackelberg model of collusive oligopoly.
 16. Explain the Walrasian and Marshallian conditions for stability of a market.
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