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Your Roll No.....

Sr. No. of Question Paper : 506

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Unique Paper Code : 2922102301

Name of the Paper : Microeconomics – II

Name of the Course : **B.A. (H) Business
Economics**

Semester : III

Duration : 3 Hours

Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all** parts of a particular question together.
3. Attempt **FIVE** questions in all. Question No. 1 is compulsory.

1. Determine whether of the following assertions is true or false. Use the appropriate justifications and diagrams to support your answer. Attempt any Three.

- (i) The social cost of a monopoly's inefficiency is represented by deadweight loss.

P.T.O.

- (ii) Third-degree price discrimination is the practice of splitting consumers into two or more groups with distinct demand curves and charging each group a different price.
 - (iii) At a Pareto efficient allocation, it is not possible to make one person better off without making at least one other person worse off AND At a Pareto efficient allocation, all gains from trade are exhausted.
 - (iv) Arrow's Impossibility Theorem shows that there are many ways to aggregate individual preferences into social preferences. (6×3)
2. In a duopoly market, there are two firms operating. They face a linear demand curve described by the equation $Q = 212 - P$, where Q represents the total output produced by both firms ($Q_1 + Q_2$), and both firms have constant production costs, with $MC_1 = MC_2 = 20$.
- (i) If both firms aim to maximize their profits following Cournot's Equilibrium, determine Cournot's Equilibrium, which includes both the price and quantity produced, using the reaction curves. Additionally, calculate the profit for each firm.

- (ii) Derive the Stackelberg solution, (a) with firm 1 as the leader (b) and then with firm 2 as the leader. (9+9)
3. (a) Explain the long run supply curves for industries, operating under perfectly competitive market that experiencing increasing and constant costs conditions, supported by appropriate diagrams. (10)
- (b) What is your interpretation of excess capacity in monopolistic competition? (8)
4. What constitutes a monopsonistic market? How a profit-maximizing monopsonist does exploit labor? And what impact do trade unions have on wages and employment in a monopsonistic labor market? (18)
5. (a) A standard monopoly leads to an inefficient equilibrium, whereas a price-discriminating monopoly results in an efficient equilibrium. Clarify using appropriate diagrams. (10)
- (b) What is Arrow's impossibility theorem in welfare economics? Critically evaluate it in context of welfare economics. (8)

P.T.O.

6. (a) Even when the initial allocation is symmetric, arbitrary methods of trade will not necessarily produce a fair allocation. Describe. (9)
- (b) Critically evaluate the social welfare function to explain efficiency in production and consumption. (9)

