

Indian Institute of Technology Kharagpur

Date: 20/09/2018 (AN) Time: 2 hours Full Marks: 30 No of Students: 29

Mid-Autumn Semester: 2018-19 Department: HSS Subject No: HS40092

Five-Year Integrated M.Sc. in Economics Sub. Name: Economics of Regulation

Instruction: Answer all the questions.

1. Comment on the following statements with justification/proof and assumptions made:
3×4=12
 - (a) Greater access to information makes the time path of price steadily convergent.
 - (b) Regulatory interventions for uniform pricing enhance consumers' welfare in a market.
 - (c) The Cournot model of duopoly always results in a stable equilibrium.
 - (d) In a duopoly, a firm will not advertise for the product if it makes the demand more elastic.

2. Consider a market with the demand function $Q^d(t) = \alpha - \beta P(t) + \sigma \frac{dP(t)}{dt}$ and the supply function $Q^s(t) = -\gamma + \delta P(t)$ with $\alpha, \beta, \gamma, \delta, \sigma > 0$. If the rate of change of price is directly proportional to the extent of excess demand, derive the time path of price and examine its nature. How will the time path differ if the supply function is $Q^s(t) = \delta P(t)$ and the market is cleared at every point of time?
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3. Using appropriate model explain how product differentiation affects firms' market power in oligopoly. Will removal of entry barriers necessarily limit firms' market power? Justify your answer.
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4. Why should mergers and acquisitions be regulated in an economy? Elucidate the critical challenges to regulation of mergers and acquisitions.
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5. A recent study shows that firms' efforts towards in-house R&D do not cause any significant impact on market structure. What are the possible reasons behind such findings? Discuss the regulatory implications of such findings using the multi-directional structure-conduct-performance framework.
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