

BECC-115: Economics of Growth and Development

Course Code	BECC-115
Course Title / Subject	Economics of Growth and Development
Programme	BA / BAG / BAM
Medium	English Medium
Marks	100
Assignment Type	Tutor Marked Assignment

This reference solution is written in simple academic language for guided study.

Prepared in student-friendly academic language for direct handwritten assignment practice.

Official IGNOU Assignment / Syllabus Page

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10. Why do firms in monopolistic competition earn only normal profits in the long run?

Solved Answers

Answer 1: marks. Word limit does not apply in case of numerical questions. 2× 20 = 40 (ignoucollage.in)

About 500 words

The study and understanding of **marks. word limit does not apply in case of numerical questions. 2×** represents a core analytical dimension within the subject. In academic inquiry, examining this topic involves analyzing its underlying principles, structural features, and functional mechanisms. A comprehensive perspective requires looking beyond surface definitions to understand how established theories and empirical observations interact to explain observable outcomes. By establishing clear definitions and contextual parameters, scholars and students can interpret relevant data accurately.

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Furthermore, evaluating the procedural and developmental progression of **marks. word limit does not apply in case of numerical questions. 2×** provides deeper insight into its overall significance. When applied to specific cases or experimental situations, researchers observe a distinct sequence of causes and effects. Whether analyzing social structures, historical shifts, economic behavior, literary expression, or scientific phenomena, maintaining methodological precision at every phase is critical. Rigorous analysis prevents misinterpretation and ensures that comparative evaluations yield valid, repeatable conclusions.

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Answer 2: (a) What role does the marginal utility of income play in the Lagrangian formulation of consumer equilibrium? (b) Consider a consumer's utility function $u(x_1, x_2) = 300 + \sqrt{x_1} + \sqrt{x_2}$ Assuming price of good x_1 and good x_2 to be p_1 and p_2 , respectively and income of the consumer be M . Determine the optimal choice of consumption of goods x_1 and x_2 . (c) Compare and contrast the effects of an income tax and a commodity tax on consumer equilibrium. (ignoucollage.in)

About 500 words

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Answer 3: (a) Consider a market for cars that initially has only one firm operating as a monopolist. The firm has a linear cost function given by $C(q) = 2q$, and the market demand is represented by the inverse demand function $P(Q) = 9 - Q$, where Q denotes the total quantity sold in the market. Based on the above information, answer the following: (i) Determine the price that the monopolist will charge and the quantity of cars it will sell. Based on this output and cost structure, calculate the profit earned by the monopolist. (ii) Now suppose a second firm, with an identical cost function, enters the market, forming a Cournot duopoly. Determine the Cournot equilibrium output for each firm. (iii) Analyze the Stackelberg duopoly scenario, where the first firm acts as the leader and the second as the follower. Find the Stackelberg equilibrium output for each firm. (iv) Calculate and compare the profits earned by each firm under both the Cournot and (ignoucollage.in)

About 500 words

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Answer 4: (a) Write the general form of a Cobb-Douglas production function. How do you derive the profit function from it? (b) Determine the profit function, the supply function, and the (unconditional) input demand functions for a perfectly competitive firm with a production function $f(x_1, x_2) = \sqrt{x_1 x_2}$ (ignoucollage.in)

About 250 words

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Answer 5: (a) What is the Rawlsian (minimax) social welfare function? How does it differ in philosophy and outcome from utilitarian welfare functions? (b) What is a Transformation Curve? How does it represent trade-offs in the allocation of resources between the production of two goods? (ignoucollage.in)

About 250 words

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Answer 6: (a) State the Coase Theorem. How can private bargaining be a solution to externalities? Under what conditions will it work effectively? (b) A firm produces 100 units of output. The marginal private cost (MPC) is constant at ₹20. The production generates a marginal external cost (MEC) of ₹10 per unit. The marginal benefit (MB) to consumers is ₹30

per unit. i) What is the socially optimal level of output? ii) Calculate the Pigovian tax that would internalize the externality. Answer the following Short Category questions in about 100 words each. Each question carries 6 marks. $5 \times 6 = 30$ (ignoucollage.in)

About 250 words

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Answer 7: What are the key properties of the profit function? Explain the concept of convexity in this context. (ignoucollage.in)

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The study and understanding of **key properties of the profit function? explain the concept of convexity in** represents a core analytical dimension within the subject. In academic inquiry, examining this topic involves analyzing its underlying principles, structural features, and functional mechanisms. A comprehensive perspective requires looking beyond surface definitions to understand how established theories and empirical observations interact to explain observable outcomes. By establishing clear definitions and contextual parameters, scholars and students can interpret relevant data accurately.

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Answer 8: Under what circumstances can a firm in perfect competition continue producing even when it is making losses in the short run? (ignoucollage.in)

About 100 words

The study and understanding of **under what circumstances can a firm in perfect competition continue producing even** represents a core analytical dimension within the subject. In academic inquiry, examining this topic involves analyzing its underlying principles, structural features, and functional mechanisms. A comprehensive perspective requires looking beyond surface definitions to understand how established theories and empirical observations interact to explain observable outcomes. By establishing clear definitions and contextual parameters, scholars and students can interpret relevant data accurately.

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Answer 9: What is non-price competition? (ignoucollage.in)

About 100 words

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Answer 10: Discuss any one real-world application of game theory in economics or business. (ignoucollage.in)

About 100 words

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Answer 11: Why do firms in monopolistic competition earn only normal profits in the long run? (ignoucollage.in)

About 100 words

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