ME MOCK
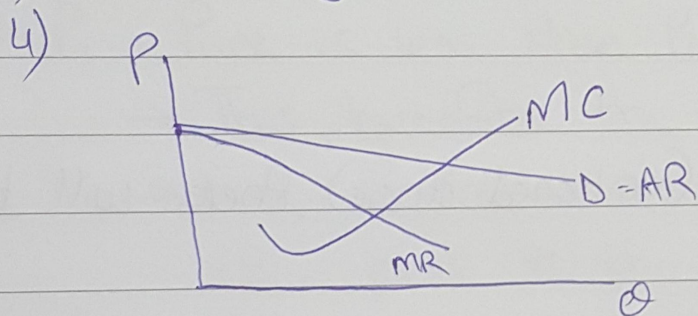
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K18-0363

Section 2D

Q1. Characters:

1) There is a single seller
2) Monoplist is a price maker
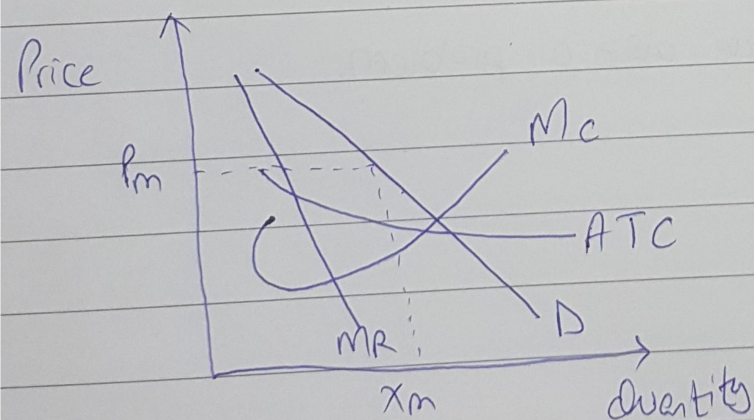3) Price = Avg Revenue = Demand Curve $\neq$ Marginal C
4)

5) There are issues of copy rights and patents.
6) There are collissions
7) Issues of lisences are also a problem.

2.

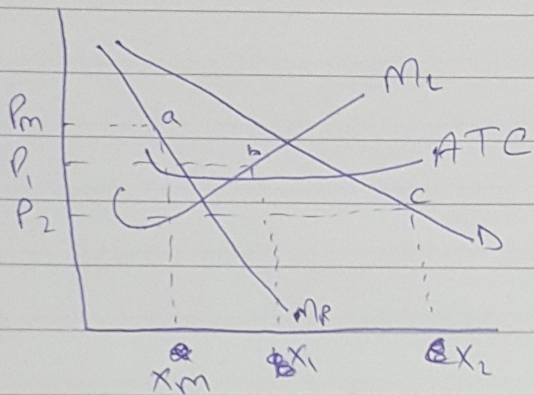To regulate: This mean to Control the monoply for the
benefit of Society.

Conditions to the regulated Monoply:
1) The govt will regulate price
2) Price will be equal to average revenue, Mc &&atc
  a) $P = AR$
  b) $P = MC$
  c) $P = ATC$
3) On each level of price (mentioned above), there will be
   different output

→ Graph:

Pm: it means extra
profits for monoplist.
(at this point this
should regulate).

Graph labels: Pm, P₁, P₂ on vertical axis; a, b, c points; MC, ATC, D, MR curves; Xm, X₁, X₂ on horizontal axis.

① P = AR   (a)
② P = MC   (b)
③ P = ATC   (c)

① P_m - Profits are in excess

② P_1 = Price is less than P_m & output is X_1 $(X_1 > X_m)$
  → This benefits the Society more
  → But if this is still and working, the govt can set a new price to the (atc)

③ P_2 = The output increases and price is least
  → Point preferable to Society
  → Point of fair returns
  - If all of this does not work, govt. can practice price discrimination.

✓ Govt. can regulate monopolies through,
① Price Capping
② Regulation of mergers
③ Breaking up monopolies
④ Investigations into Cartel & unfair practices
⑤ Nationalism.