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Literature, Russian Literature

MICRO-ECONOMICS ASSIGNMENT Q(1) Explain and illustrate with diagrams the differences between diminishing marginal returns and decreasing economies of scale and cite causes and examples. Ans. The law of diminishing returns is also called the law of variable proportion, as the proportions of each factor of production employed keep changing as more of one factor is added. The law of diminishing returns does not imply that adding more of a factor will decrease the total production, a condition known as negative returns, though in fact this is common. A common sort of example is adding more workers to a job, such as assembling a car on a factory floor. At some point, adding more workers causes problems such as getting in each other's way, or workers frequently find themselves waiting for access to a part. In all of these processes, producing one more unit of output per unit of time will eventually cost increasingly more, due to inputs being used less and less effectively. The law of increased dimensions, also a technical economy of scale, states that to double the capacity of warehouses, transporters and other storage, you do not need to double the dimensions or workers, so the costs will not double. Economies of scale are the cost advantages that an enterprise obtains due to expansion. The main differences between the law of diminishing returns and returns to scale are that one is a concept in the short term, while the other can only occur in the long term. A firm can use both to increase output, and both can lead to unwanted negative effects, if taken too far. However, a firm can maximize its profits after the marginal product of the variable factor has started to fall, as long as employing the additional factor of production adds more to the firms'

total revenue than it does to costs. If a firm is experiencing decreasing returns to scale, on the other hand, it is no longer maximizing profits. Q(2) Suppose the jeans industry is in which each firm sells its own distinctive brand of jeans., and each firm believes its rivals will not follow its price increases but will follow its price cuts. Draw and explain the demand curve facing each firm, and given this demand curve, does this mean that firms in the jeans industry do or do not compete against one another? Ans. Q(3) (a)Discuss the following statement: “ In the real world there is no industry which conforms precisely to the economist’s model of perfect competition. This means that the model is of little practical value" (b) Illustrate with a diagram and explain the short-run perfectively competitive equilibrium for both (i) the individual firm and (ii) the industry (c) Illustrate with a diagram and explain the long-run competitive equilibrium for the firm Q(4) (a)Explain and illustrate using a diagram why a monopolist would never produce in the inelastic range of the demand curve. (b) In each of the following cases, state whether the monopolist would increase or decrease output: (i) Marginal revenue exceeds marginal cost at the output produced; (ii) Marginal cost exceeds marginal revenue at the output produced. Q(5) (a) Outline a micro-economic reform issue that is relevant to the Australian economy(i. e. why has there been reform in this industry or market?) (b) How successful do you think these reform measures were and say why referring to some data or research that has been performed.