

**NATIONAL UNIVERSITY OF LESOTHO**

**B.A. SUPPLEMENTARY EXAMINATIONS**

**EC 4318: ECONOMICS OF REGULATION & ANTI-TRUST**

**AUGUST, 2023**

**100 Marks**

**TIME: 3 Hours**

---

**INSTRUCTION:** Answer **all four** questions.

---

## QUESTION 1

- a) What is regulation? Differentiate between price and social regulation. **Make examples where possible.** [10]
- b) If a natural monopoly is contestable, regulation is not required. Discuss with the aid of a diagram. [15]

## QUESTION 2

- a) Discuss with the aid of a diagram, the Averch-Johnson effect. [15]
- b) Differentiate between reproduction cost and replacement cost method used for rate base. **Make examples where possible.** [10]

## QUESTION 3

- a) Discuss with the aid of a diagram, Rationing efficiency. [10]
- b) Discuss with the aid of a diagram, Rate of Return [ROR] Regulation in the case where the regulated firm produces only one product. [15]

## QUESTION 4

- a) What is Ramsey Pricing and under what circumstances is it applied? [10]
- b) Discuss with the aid of a diagram, peak load pricing for bus services in the case where there is excess capacity during off-peak period and insufficient capacity during peak period. [15]

***THE END!***