

Serial No.

0004661

A-KGU-O-HFC

**GENERAL ECONOMICS****Paper—III**

Time Allowed : Three Hours

Maximum Marks : 200

**INSTRUCTIONS**

*Please read each of the following instructions carefully before attempting questions :*

*There are TWELVE questions divided under THREE Sections.*

*The ONLY question in Section A is compulsory.*

*In Section B, SIX out of SEVEN questions are to be attempted.*

*In Section C, THREE out of FOUR questions are to be attempted.*

*Candidates should attempt questions/parts as per the instructions given in the Section.*

*The number of marks carried by a question/part is indicated against it.*

*All parts and sub-parts of a question are to be attempted together in the answer book.*

*Attempts of questions shall be counted in chronological order. Unless struck off, attempt of a question shall be counted even if attempted partly.*

*Any page or portion of the page left blank in the answer book must be clearly struck off.*

*Candidates are required to write clear, legible and concise answers and to adhere to word limits wherever indicated. Failure to adhere to word limits may be penalized.*

*Answers must be written in **ENGLISH** only.*

## SECTION—A

(Answer all the **SEVEN** parts of the following question.  
Answer to each part should be in approximately **100** words.)

$$5 \times 7 = 35$$

1. Write short notes on the following :

- (a) The laffer curve
- (b) Merit goods
- (c) Hedonic valuation method
- (d) Race to the bottom
- (e) Tax interaction effect
- (f) Shadow price of investment
- (g) Incomplete markets.

## SECTION—B

(Answer any **SIX** out of the **SEVEN** questions. Each answer should be in about **200** words.)

$$15 \times 6 = 90$$

- 2. What are the major recommendations of 14<sup>th</sup> Finance Commission ? Discuss the implications of tied and untied grants from Union to States and local bodies.
- 3. What is the significance of the choice of discount rate in the cost-benefit analysis ? How a specific discount rate is determined for appraising a project ?

4. Define the concept of sustainable development. Discuss the indicators of sustainable development.
5. Compare and contrast between command and control and economic incentives instruments. Which one is superior ?
6. Assume that the Government decides to impose a unit tax on the producers of the medicine insulin. Which are the plausible effects of the tax incidence on producers and consumers ?
7. Two pharmaceutical firms approached the Competition Commission of India (CCI) for their merger. What consideration CCI should take into account to approve or reject their request ?
8. Indian Software industry has done well in the world market in the last two decades; why other industries are not able to emulate it ?

### SECTION—C

(Answer any **THREE** of the following **FOUR** questions in about **300** words each.)

25×3=75

9. Suppose the price of electricity is less than the marginal cost of production.
  - (a) Is electricity production efficient ? If not, explain how to move to a Pareto preferred allocation.
  - (b) Will the market economy produce electricity if the price is less than the marginal cost ? Explain.

10. Discuss how the saving is taxed under an Income Tax and a Consumption Tax. Which tax is more efficient and equitable and why ?
11. Explain the role of futures markets in agricultural commodity trading in India. Suggest measures to strengthen these markets.
12. Which policy instrument is likely to encourage greater diffusion of pollution abatement technologies : technology standards or emission charges ? Why ?

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