

GENERAL ECONOMICS

PAPER—III

Time Allowed : Three Hours

Maximum Marks : 200

QUESTION PAPER SPECIFIC INSTRUCTIONS

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

There are **SIXTEEN** questions divided in **THREE** Sections.

The **ONLY** question in Section—A is compulsory.

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

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

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

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

Wherever any assumptions are made for answering a question, they must be clearly indicated.

Diagrams/Figures, wherever required, shall be drawn in the space provided for answering the question itself.

Unless otherwise mentioned, symbols and notations have their usual standard meanings.

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.

Attempts of questions shall be counted in sequential 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 Question-cum-Answer (QCA) Booklet must be clearly struck off.

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

SECTION—A

1. Answer *all* the following parts in about 100 words each : 5×6=30
- (a) Explain the concept of social rate of discount in the context of cost-benefit analysis. 5
 - (b) How is the incidence of a commodity tax related to the elasticity of demand and supply curves? 5
 - (c) Define option value. What are its components? 5
 - (d) How does the pricing rule of exhaustible resources differ from that of renewable resources? 5
 - (e) What is meant by monopoly power of a firm? Give any one method of measuring it. 5
 - (f) What is the rationale of indicative planning in the context of a mixed economy? 5

SECTION—B

Answer any *six* questions out of the following nine in about 200 words each : 15×6=90

- 2. Discuss Lindahl's Voluntary Exchange Theory for determining the optimum level of public expenditure. 15
- 3. Discuss the pricing mechanism and the necessary conditions which allow an established firm to prevent entry from outside in an oligopolistic market. 15
- 4. What is meant by structure, conduct and performance in the S-C-P paradigm? Discuss the aspect of interdependence among these terms. 15
- 5. Explain the problem of 'Tragedy of the Commons'. Discuss the ways by which it can be avoided. 15
- 6. What are carbon markets? How do they help in mitigating environmental pollution? 15
- 7. Discuss the role of people's participation in decentralized planning and its impact on their empowerment. 15
- 8. Explain the burden of internal public debt. Does a large public debt result in inflation in a country? Give reasons for your answer. 15

9. Distinguish between Herfindahl-Hirschman (HH) index and four-firm concentration ratio. How does market concentration impact social welfare? 15
10. Elaborate the arguments in favour of 'Green Accounting' and state how it differs from the System of National Accounts (SNA). 15

SECTION—C

Answer any *four* questions out of the following six in about 300 words each : $20 \times 4 = 80$

11. Distinguish between 'Internal Rate of Return (IRR)' and 'Net Present Value (NPV)' criteria of evaluating public investment projects. What is the role of shadow prices in this context? 20
12. Discuss the agenda and outcomes of the 'Conference of the Parties 27 (COP27)' in the context of action on climate change. What role did India play in this Conference? 20
13. Elaborate the appropriate valuation method of the amenities offered by a public park to its visitors. 20
14. Distinguish between 'product innovation' and 'process innovation'. How are innovation activities in an economy affected by market structure? What role does R & D expenditure play in promoting technological change? 20
15. Critically examine the role of State in correcting 'market failure' and bring out the importance of planning in this context. 20
16. Consider a duopoly with product differentiation in which the demand and cost functions are—

$$q_1 = 88 - 4p_1 + 2p_2, \quad c_1 = 10q_1 \quad \text{and} \quad q_2 = 56 + 2p_1 - 4p_2, \quad c_2 = 8q_2$$

for firms I and II respectively.

- (a) Derive the price reaction function for each firm on the assumption that each maximizes its profit with respect to its own price. Also, derive the slopes of reaction functions.
- (b) Determine the equilibrium values of price, quantity and profit for each firm.

8+12=20
