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 under **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
(Compulsory Section)

Q1. **Answer all the following questions in about 100 words each :**   *5×6=30*

(a) Explain the Wiseman-Peacock hypothesis about growth of public expenditure.   5

(b) What are the most important criteria for public investment decisions ? Justify.   5

(c) Discuss the concept of user cost in case of pricing of exhaustible resources.   5

(d) Explain the Green Climate Fund and its objectives.   5

(e) Discuss the concept of limit pricing as a strategy of a firm.   5

(f) Planning reduces the flaws in the functioning of the market. Explain.   5

SECTION B

Answer any *six* out of the following nine questions in about 200 words each :

15×6=90

Q2. Show that change in price under monopoly will be one half that under perfect competition when a specific unit tax is imposed.   *15*

Q3. Explain the need and purpose of use of shadow price in developing countries.   *15*

Q4. Discuss the main issues of public debt management, keeping in mind the debate about inter-generational burden of public debt.   *15*

Q5. Indicate the efficacy of the Joint Forest Management system as an example of a collective action programme in controlling forest degradation.   *15*

Q6. Critically discuss the role of Pigouvian tax as a tool for combating environmental pollution.   *15*

Q7. Elucidate the interdependence of Research and Development and innovation in a market economy.   *15*

Q8. Discuss different ways and means by which public policy can regulate the development of firms and industries.   *15*

Q9. What is Local Agenda 21 in the Rio Action Plan 1992 ? Explain in this context the relevance of bottom-up approach to development.   *15*

Q10. Describe the concept of planning in a mixed developing economy, including the role of decentralised planning.   *15*

SECTION C

Answer any *four* out of the following six questions in about 300 words each :

$20 \times 4 = 80$

Q11. (a) Discuss the Lindahl theory of determination of public expenditure. *10*

(b) What role does public expenditure play in the economic stability of an economy ? Discuss. *10*

Q12. Critically examine the efficacy of the system of tradable pollution permit as an instrument for achieving environmental sustainability. *20*

Q13. What are the underlying causes of emergence of environmental valuation system ? Discuss the main features of contingent valuation technique. *8+12=20*

Q14. Two firms produce a homogeneous product. The market demand for the commodity is given by :

$$X = x_1 + x_2 = 120 - p$$

where x_1 and x_2 are outputs produced by two firms respectively and p is price. The cost functions are given by :

$$C_1(x_1) = 10x_1 \text{ and } C_2(x_2) = \frac{x_2^2}{2}.$$

Find the following :

(a) When firm 1 is the leader, determine the equilibrium quantity of the second firm, and the market price.

(b) When the two firms are interdependent on each other, determine the equilibrium quantity produced by the two firms and the market price. *10+10=20*

Q15. Analyse the notions of product differentiation and market concentration as elements of market structure. Discuss any five measures of market concentration. *10+10=20*

Q16. Discuss the advantages and disadvantages of planning in a developing economy, taking the example of India. *20*