

## 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 )**

1. Answer **all** the following parts in about 100 words each : 5×6=30
- (a) Distinguish between Revenue Deficit, Effective Revenue Deficit, Fiscal Deficit and Primary Deficit as per the Union Budget.
  - (b) How would you like to incorporate risk and uncertainty while evaluating a project identified for public investment?
  - (c) What is 'option value' in environment? Explain with suitable examples.
  - (d) What are the objectives and key provisions of the Kyoto Protocol?
  - (e) Examine the role of Production Linked Incentive Scheme in promoting manufacturing growth and employment generation in India.
  - (f) What are the advantages and disadvantages of indicative planning?

**SECTION—B**

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

2. (a) Distinguish between the following two concepts of tax incidence :  
Absolute tax incidence and Differential tax incidence 5
- (b) Trace out the differential tax incidence or income distribution and economic growth if rupees one crore of personal income tax is substituted by raising an equivalent amount of excise duty imposed on cigarettes. 10
3. Critically evaluate the relative merits and demerits of using social rate of discount in evaluating public investment projects. 15
4. What are the road blocks in India's transition towards a green economy? 15
5. Explain the 'Hotelling rule' for optimal extraction of exhaustible resources. 15
6. What are the major impacts of climate change on India? What are their likely consequences for the development process of India? 8+7=15

7. Majority of empirical studies examining the relationship between market concentration and profitability find a positive correlation between the two. How would you like to explain this correlation? 15
8. A profit-maximizing firm faces the following demand functions of two segmented markets :
- $Q_1 = 32 - 0.4P_1$  and  $Q_2 = 18 - 0.1P_2$ , where  $Q_1$  and  $Q_2$  are the quantities demanded in market 1 and market 2, and  $P_1$  and  $P_2$  are the prices of the good in market 1 and market 2 respectively
- The cost function is  $C = 50 + 40Q$ , where  $Q = Q_1 + Q_2$ .
- (a) Find out  $P_1$  and  $P_2$ . 8
- (b) Find out the profit maximized and price elasticities of demand in the two markets,  $e_1$  and  $e_2$  respectively. 7
9. What are the pros and cons of Public-Private Partnership (PPP)? Discuss with respect to either social sector investment like education/health or physical infrastructure investment like highway construction. 15
10. What are the challenges faced by industry in spending on research and development, and innovation in a developing country like India? 15

### SECTION—C

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

11. Determination of the level of public expenditure and its composition is essentially an issue of negotiating the trade-off between achieving fiscal prudence and addressing equity concerns. Do you agree? Elaborate your answer. 20
12. Describe briefly the Domar approach and Solvency approach to assess sustainability of public debt. Critically evaluate the relevance of these two approaches for the analysis of public debt. 10+10=20
13. Compare and contrast the three primary approaches namely expressed preference method, revealed preference method and cost-based method of environmental valuation. 20
14. In theory, both tradeable pollution permits and pollution taxes are capable of achieving least cost solution to pollution control. How can we choose between these two policy alternatives in the context of innovation and cost-saving over time? 20

15. Analyze how established firms utilize limit pricing strategies to deter potential competitors. Discuss the structural, legal and strategic barriers necessary to maintain market entry prevention. 20

16. How would you like to revisit the debate on market versus state in the context of planning and development in the wake of advancement in digital technology? 20

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