

ECONOMY (PAPER I)

SECTIONAL - 1

Time Allowed : Three Hours

Maximum Marks : 250

1. **Answer the following in about 150 words :** **10x5=50**
- (a) Bring out the salient features of perfect competition market.
 - (b) "Industry is the price maker, and Firms are price taker." Explain.
 - (c) Explain some of the measures for assessing the monopoly power of a firm.
 - (d) How is the Marshallian equilibrium different from Walrasian equilibrium.
 - (e) Under perfect competition, in the short run, find out graphically, without using average cost curve, the condition in equilibrium for the existence of (i) Normal Profit (ii) Super normal profit (iii) loss.
2. (a) In what way Kaldor's model of income distribution is basically Keynesian theory? 20
- (b) Explain Kalecki's model of distribution. 15
- (c) What do you mean by existence of uniqueness of equilibrium in a market. Examine these concepts in a market where both demand and supply curves are downward sloping. 15
3. (a) Explain Cournot's Duopoly model. 15
- (b) Explain Kinked demand curve. 15
- (c) The Demand function of a monopoly in two different markets are given by :
- $$P_1 = 53 - 4Q_1$$
- $$P_2 = 29 - 3Q_2$$
- and total cost function is $C=20+5Q$ where P_1 and P_2 are the prices and Q_1 and Q_2 are the output in market — 1 & 2 respectively. Find (i) profit maximisation output to be sold in the first and second market (ii) Equilibrium prices of first and second markets (iii) Maximum profits. 20
4. (a) Explain the backward sloping supply curve of labour a choice between income and leisure. 15
- (b) How is Kaldor Hicks compensation principle an improvement over pareto optimality criterion? What are the Scitovsky's view in this regard. 15
- (c) Does a monopolistically competition market lead to excess capacity under price competition? 20
5. **Answer the following questions in about 150 words each :**
- (a) Mention the Pareto conditions for social welfare. 10

- (b) Explain consumption function and saving function of JM Keynes. 10
- (c) Explain J.B. Jay's theory that "Supply Creates its own demand". 10
- (d) Explain Fiscal Policy to overcome the recession. 10
- (e) What is stagflation? How stagflation can be corrected. 10
6. (a) Explain liquidity theory of Keynes. 15
- (b) Explain Laffer's Curve. 15
- (c) "Equal expansion in tax and government budget does not lead always to balanced budget theorem." Explain. 20
7. (a) Explain Inflationary Gap Theory. 15
- (b) Explain the derivation process of IS curve and also explain why it slopes downward. 20
- (c) Explain Crowding Out Effect. 15
8. (a) Explain paradox of thrift. 15
- (b) Explain money multiplier theory. 15
- (c) For an economy the following functions are given :
- $$C = 100 + 0.8y$$
- $$S = -100 + 0.2y$$
- $$I = 120 - 5i$$
- $$m_s = 120$$
- $$m_d = 0.2y - 5i$$
- Find out (i) IS equation (ii) Lm equation (iii) equilibrium level of income and interest rate. 20