

**2020**

**ECONOMICS — I**

**Third Paper**

**Full Marks : 80**

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

Answer **any five** questions.

1. Define socialism. What are the merits and demerits of a socialist economy? Discuss how the basic problems of a socialist economy differ from those of a capitalist economy. 2+6+8
  2. Distinguish between change in quantity demanded and change in demand. What do you mean by price elasticity of demand? What are the determinants of price elasticity of demand? 6+4+6
  3. State the law of supply. What are the reasons behind the upward slope of the supply curve? Discuss the factors that determine supply. 4+6+6
  4. Distinguish between explicit cost and implicit cost. Why are shortrun average cost curves U-shaped? Show the relationship between average cost and marginal cost. 6+6+4
  5. State and explain the Law of Variable Proportions. Mention the difference between the Law of Variable Proportions and the Law of Returns to Scale. 10+6
  6. What are the features of a monopoly market? How does a monopolist achieve equilibrium in the short run? 6+10
  7. Critically discuss the Ricardian Theory of Rent. Show that rent element exists in all factor incomes. 10+6
  8. Distinguish between Gross Interest and Net Interest. Critically discuss the Liquidity Preference Theory of Interest. 6+10
  9. Differentiate between accounting profit and economic profit. Give arguments in favour of and against profit maximisation objective of a business firm. 6+10
  10. Write short notes on **any two** : 8×2
    - (a) Microeconomics vs. Macroeconomics
    - (b) Market equilibrium
    - (c) Economics of scale
    - (d) Degrees of price discrimination.
-