MIZORAM PUBLIC SERVICE COMMISSION

GENERAL COMPETITIVE EXAMINATIONS FOR RECRUITMENT TO THE POST OF JUNIOR GRADE OF MIZORAM PLANNING, ECONOMICS & STATISTICAL SERVICE UNDER PLANNING & PROGRAMME IMPLEMENTATION DEPARTMENT.
JANUARY, 2020

ECONOMICS PAPER-I

Time Allowed : 3 hours   Full Marks : 100

Attempt any 10 (ten) questions taking 2 (two) questions from each unit.
All question carry 10 marks each.

UNIT – I

1. What is Slutsky Substitution Effect? Explain how price effect in decomposed into substitution effect and income effect using Slutsky's theorem. **(2+8=10)**

2. Show how the Revealed Preference theory is more useful in understanding a consumer's behavior than the other theories. **(10)**

3. What is consumer surplus? Elaborate how you would measure consumer surplus using indifference curve technique. **(3+7)**

UNIT – II

4. What is isoquants? Why does an isoquant slope downward and explain why two isoquants cannot cut each other? **(3+7=10)**

5. Given the following Cobb-Douglas Production function: $Q = L^{0.75}K^{0.25}$, where Q, L and K are total output, labour and capital respectively, answer the following questions:
   (a) Is the function linearly homogenous? Justify. **(3)**
   (b) Derive the marginal product of labour and capital (i.e. MP_L and MP_K) **(4)**
   (c) Show that marginal product of labour is less than average product of labour
       (i.e. $MP_L < AP_L$). **(3)**

6. How is return to scale different from return to a factor? Enumerate the different types of return to scale and state their causes. **(2+8)**

UNIT – III

7. A monopolist faces a demand curve, $P = 100 - 2Q$. If the marginal cost (MC) is constant and is equal to 20. Determine the equilibrium price and quantity of the product. **(10)**

8. Do you consider monopoly to be an 'evil' in the economy? Examine the potential effectiveness of the conventional ways of regulating monopolies. **(3+7=10)**

9. State the main difference between collusive and non-collusive oligopoly. Explain why the oligopoly market is considered more difficult to analyse than monopoly and competitive markets. **(3+7=10)**

UNIT – IV

10. Distinguish between marginal propensity to consume and average propensity to consume. Also estimate the marginal propensity to consume in an economy in which aggregate consumption expenditure increases from Rs.360 crores to Rs.440 crores as the aggregate income increases from Rs.400 crores to Rs.500 crores. **(7+3=10)**

11. Define National Income. Describe the different methods of measuring National Income. **(2+8=10)**

12. Explain the Duesenberry's relative income hypothesis. **(10)**

UNIT – V

13. With the help of IS-LM curve model, explain how the intervention of Government with proper fiscal and monetary policies can influence the level of economic activity. **(10)**

14. Explain the determination of equilibrium level of employment in terms of the principle of effective demand. **(10)**

15. Define Marginal Efficiency of Capital. How does it determine the level of investment? **(2=8=10)**

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