[Use a separate Answer Book for each group]

Group – A

1. Define VMP_L or value of Marginal Product of Labor.
   Explain in detail the distiction between a firm's short run and long run labor demand curve. [1+5]

2. Define 'Pareto Optimality'. Show in a two commodity, two factor, two individual economy how one can reach a Pareto Optimal allocation. Is the Pareto Optimal allocation unique. [2+5+2]

3. Show that for a concave utility function $EU(y) < UE(y)$. What happens to above inequality when the utility function is linear? [6]

4. A man has two options; he can earn an honest income Y_0 or can earn Y_1, which is his income from burglary. Probability of getting caught is p and he earns nothing if being caught. Recommend two govt. policies that can reduce incentive to crime. [4]

Group – B

5. Answer **any one** question : [1×5]
   a) Explain— "Economic Development is something more than economic growth".
   b) Explain economic development in terms of "Capability".

6. Answer **any one** question : [1×10]
   a) Discuss the process of demographic transition and its implications in economic development of a country.
   b) "Per-capita income may be used as starting point for classifying levels of development"— explain the statement.

7. Explain briefly the concepts of complementarity and co-ordination failure.
   Explain graphically how the multiple equilibrium analysis help us in understanding the problems of complementarity and co-ordination failure. [4+6]

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