

Serial No.

5801

A-GSE-P-FDB

## GENERAL ECONOMICS

Paper—II

Time Allowed : Three Hours

Maximum Marks : 200

### INSTRUCTIONS

*Please read each of the following instructions carefully before attempting questions :*

*There are **FOURTEEN** questions divided under **THREE** Sections.*

*The **ONLY** question in Section A is compulsory.*

*In Section B, **SIX** out of **SEVEN** 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 Section.*

*The number of marks carried by a question/part is indicated against it.*

*All parts and sub-parts of a question are to be attempted together in the answer book.*

*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 answer book must be clearly struck off*

*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.*

*Answers must be written in **ENGLISH** only.*

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**SECTION—A**

**(The only question in this Section is compulsory)**

1. Answer the following questions in about **100** words each : 6×5=30
- (a) What are the basic characteristics of the monetarist school of thought ? 5
  - (b) What is Marxian Theory of Alienation ? 5
  - (c) Explain Kaldor's technical progress function. 5
  - (d) What is GDP deflator ? How is it used to measure inflation ? 5
  - (e) Describe Quesnay's Tableau Economique. What effect did it have on modern economic thought ? 5
  - (f) Distinguish between inside money and outside money. 5

**SECTION—B**

(Answer any **SIX** out of the following **SEVEN** questions in about **200** words each) : 15×6=90

- 2. What is a 'well-behaved' production function ? Explain its role in neo-classical theory of growth. 15
- 3. Explain the inevitability of Stationary state in the Classical theory of growth. 15

4. Explain and derive foreign trade multiplier with foreign repercussions. 15
5. Distinguish between autonomous and accommodating transactions. What role do the accommodating transactions play in balance of payments ? 15
6. “The need for balanced growth rests on the need for a balanced diet.”—Nurkse. Explain this statement. 15
7. Explain the value added method of national income accounting. Illustrate the calculation of national income of a hypothetical closed economy with no government sector. 15
8. How does inflation redistribute wealth from creditors to debtors ? Under what circumstances can wealth ever be redistributed from debtors to creditors ? 15

### SECTION—C

(Answer any **FOUR** out of the following **SIX** questions in about **300** words each) : 20×4=80

9. Critically examine the steady-state equilibrium growth paths of the Swan-Solow and Harrod-Domar models. What is the role of State in correcting disequilibrium in these models ? 20

10. Derive the simultaneous equilibrium of the product and money markets in a closed economy. Show how an expansionary monetary policy changes the equilibrium situation. 20
11. Explain how the presence of Non Banking Financial Intermediaries (NBFI) make monetary policy ineffective. Suggest some measures to solve the problem. 20
12. Explain the Ranis-Fei model of economic development. How does it improve upon the Lewis model of development ? 20
13. The globalisation of capital markets has resulted in volatile and unrealistic exchange rates, unstable financial conditions and decline in effectiveness of governments' domestic monetary policy. Explain this phenomenon and suggest suitable measures. 20
14. "The best strategy of development is the creation of imbalances." Discuss the statement in the light of Indian experience. 20