

CC/M/EXAM.
2020
ECONOMICS

PAPER—I

Time : 3 hours]

[Full Marks : 250

Note : Question Nos. **1** and **5** are compulsory and out of the remaining, any **three** are to be attempted choosing at least ONE question from each SECTION. The number of marks carried by a question/part is indicated against it .

SECTION—A

1. Answer *any five* of the following questions : 10×5 = 50

- (a) Mention the characteristics of an oligopoly market. Explain why a firm under oligopoly has a kinked demand curve.
- (b) What is the crowding-out effect? Why does crowding-out effect occur with expansionary fiscal policy?
- (c) Describe the importance of money in a modern economy.
- (d) How can comparative advantage in production be a basis for mutually beneficial trade among nations? Discuss.
- (e) Compare the effects of tariffs and quotas as measures of trade protection.
- (f) State the basic thesis of the Lewis model of development.
- (g) What is meant by public-private partnership (PPP)? Outline the different variants of PPP models.

2. Answer the following questions :

- (a) State the characteristics of a market under monopolistic competition. Explain how equilibrium price-output combination of a firm under monopolistic competition is determined. 5+15=20
- (b) What is Pareto-optimality? Explain the conditions that must be satisfied for attaining a Pareto-optimal solution. 5+10=15
- (c) Critically appraise Kaldor's theory of distribution. 15

3. Answer the following questions :

- (a) What is Say's law of markets? How does it ensure full employment in an economy as postulated by the classical theorists? 5+15=20
- (b) What is aggregate supply? Show the impact of a change in the price level on short-run and long-run aggregate supply curves. 5+10=15
- (c) What is underemployment equilibrium? Explain the notion of underemployment equilibrium with the help of a diagram. 5+10=15

4. Answer the following questions :

- (a) Distinguish between narrow money and broad money. Discuss the different determinants of money supply in an economy. 10+10=20
- (b) What is money multiplier? How does the bank's reserve ratio affect the size of the money multiplier? 5+10=15
- (c) What is effective demand? Explain how it determines the level of employment in an economy. 5+10=15

SECTION—B

5. Answer *any five* of the following questions :

- (a) What is a social welfare function? State A. K. Sen's view on social welfare. 5+5=10
- (b) Define IS curve. What is the impact of changes in government expenditure on the IS curve? 5+5=10
- (c) What is liquidity preference? Discuss the motives that underlie individual's preference to hold liquid assets. 5+5=10
- (d) How does market failure manifest itself in the case of social goods? 5+5=10
- (e) Differentiate between specific tariff and ad valorem tariff. What would be the effect of the imposition of an import tariff on a country's consumption of its imported commodity? 5+5=10
- (f) Distinguish between balanced growth and unbalanced growth. Briefly state Hirschman's doctrine of unbalanced growth. 5+5=10
- (g) What is meant by environmental degradation? Discuss the various forms of environmental degradation taking place in the contemporary world. 5+5=10

6. Answer the following questions :

- (a) Distinguish between direct and indirect taxes. Elaborate how the incidence of a commodity tax would be different on buyers and sellers depending upon the elasticity of demand. 5+15=20
- (b) How do we determine a country's offer curve? With the help of offer curves, illustrate how the equilibrium terms of trade is determined in the 'two-country two-commodity' model. 5+10=15
- (c) State the different sources of tax and non-tax revenue of the government. Can savings under provident fund be considered as government revenue? Justify your view. 5+10=15

7. Answer the following questions :

- (a) What is the main contention of the Heckscher-Ohlin model of international trade? Illustrate the gains to be made from trade in a $2 \times 2 \times 2$ model. 5+15=20
- (b) Critically illustrate the product cycle model of international trade. Why is the product cycle model considered to be a dynamic extension of the old trade theories? 10+5=15
- (c) Differentiate between fixed and floating exchange rates. Discuss how income adjustments correct balance of payments disequilibrium. 5+10=15

8. Answer the following questions :

- (a) Define human development. Discuss the methodology of formulation of the Human Development Index prepared by the UNDP clearly explaining the different components of the index. 5+15=20
- (b) What is 'warranted rate of growth'? Critically elaborate the condition for steady growth of an economy in the Harrod model of growth. 5+10=15
- (c) What is meant by structural change in an economy? Discuss the role of agriculture in the economic development of an economy. 5+10=15

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