

GENERAL ECONOMICS

PAPER—II

Time Allowed : Three Hours

Maximum Marks : 200

QUESTION PAPER SPECIFIC INSTRUCTIONS

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

There are SIXTEEN questions divided under THREE Sections.

The ONLY question in Section—A is compulsory.

In Section—B, SIX out of NINE 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 Sections.

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

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.

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 Question-cum-Answer (QCA) Booklet must be clearly struck off.

Answers must be written in ENGLISH only.

SECTION—A

The ONLY question in this Section is compulsory

1. Answer the following questions in about 100 words each : 5×6=30

- (a) Compare the concept of surplus in the economic thought of Mercantilists and Physiocrats.
- (b) What is the main difference between the ASEAN Financial Crisis of 1998 and the Global Financial Crisis of 2008?
- (c) Explain the interrelations among nominal exchange rate, real exchange rate and purchasing power parity exchange rate.
- (d) Differentiate between the roles played by Future and Options in financial markets.
- (e) Why do we need the two concepts of Human Development Index and Human Poverty Index to understand Human Development?
- (f) Why are the concepts of Dichotomy and Neutrality so important in classical theory of full employment?

SECTION—B

Answer any SIX out of the following NINE questions in about 200 words each : 15×6=90

- 2. An open economy has three sectors—(i) agriculture, (ii) industry and (iii) services. Show that the three methods of measuring National Income produce identical value of GDP.
- 3. Show that the original quantity theory of money is the theory of price level, while Friedman's restatement of the quantity theory is the reformulation of demand for money.
- 4. What is 'liquidity trap'? Describe the policies which bring the economy out of liquidity trap in IS-LM model.
- 5. Compare between the two main adjustment policies for balance of payments disequilibrium in an economy.
- 6. Show the importance of income distribution in Kaldor's model of growth.

7. Differentiate between Stabilization Policy of the IMF and Structural Adjustment Policy of the World Bank.
8. Distinguish between primary and secondary market, and discuss the different forms of market efficiency.
9. Show that Stolper-Samuelson theorem follows Heckscher-Ohlin theorem of international trade.
10. Explain in what way environmental accounting is taken care of in National Income measurement.

SECTION—C

Answer any FOUR out of the following SIX questions in about 300 words each :

20×4=80

11. Using Keynesian AD-AS diagram, show that money wage rigidity is the only reason for an equilibrium below full employment.
12. Show that under imperfect capital mobility, even if exchange rate is fixed, monetary policy is completely ineffective.
13. Unbalanced growth theory of Hirschman places great importance to social overhead capital. Elucidate.
14. Analyze whether there is any difference between the optimum tariff for a small country and a large country (as defined in international trade theory).
15. Explain the interconnections between inequality and development in the process of economic growth.
16. Discuss some of the critical issues in respect of (i) agriculture, (ii) labour, (iii) environment and (iv) culture in the WTO.
