

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
(Compulsory Section)

- Q1. Answer the following questions in about 100 words each : 5×6=30**
- (a) What is the real cash balance effect ? 5
 - (b) Which policy will be effective if the IS curve is vertical ? 5
 - (c) Illustrate, with a suitable example, how call options can be used for the purpose of speculation. 5
 - (d) Explain the difference between the concepts of convergence and conditional convergence. 5
 - (e) Explain the multiple exchange rate system and the advantages associated with it. 5
 - (f) Explain how transfer pricing is generally used by a multinational corporation as a method of increasing profit. 5

SECTION B

Answer any *six* out of the following nine questions in about 200 words each :

15×6=90

- Q2.** How can Quesnay's Tableau Économique be regarded as a forerunner of modern circular flow of income and expenditure without government ? 15
- Q3.** Explain the differences among Gross National Product (GNP), National Income and Disposable Income. What adjustments have to be made in order to calculate Green National Income ? 15
- Q4.** Enumerate the basic differences between the Keynesian and Monetarist schools of thought in stimulating demand. 15
- Q5.** Explain the relationship between finance and economic development in the context of a modern money-using market economy. 15
- Q6.** Discuss Rostow's stage theory of growth and compare it with Lewis' economic development with unlimited supplies of labour. 15
- Q7.** What is instrumental in Solow's growth model and what are its limitations ? 15
- Q8.** Explain the relationship between the relative prices of output and relative factor rewards in the light of Stolper-Samuelson theorem. 15
- Q9.** Do you agree that an economy cannot simultaneously maintain a fixed exchange rate, free capital movement and an independent monetary policy ? Explain. 15
- Q10.** Explain the changes in principles of multilateral trade negotiations over the globe since 1995. 15

SECTION C

Answer any *four* out of the following six questions in about 300 words each :

20×4=80

- Q11.** Discuss the concepts of dichotomy and neutrality of money in the light of classical, neo-classical and Keynesian economics. 20
- Q12.** Distinguish between short-run and long-run Phillips curve and discuss their policy implications. 20
- Q13.** Economic growth may raise income inequality though the incidence of poverty may get reduced. Discuss this proposition. 20
- Q14.** What are the major determinants of growth as entailed in the endogenous growth model ? Elaborate. 20
- Q15.** How has Haberler improved upon the Ricardian theory of international trade ? Explain. 20
- Q16.** Discuss the mechanism of adjustments in the event of disequilibrium in the balance of payment. 20