

**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