

**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 Section.

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

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.

**SECTION 'A'**

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

6×5=30

1. Answer the following questions in about 100 words each :
  - 1.(a) Explain why Karl Marx's prophecy that the capitalist system doomed to collapse did not happen.
  - 1.(b) Explain Friedman's demand for money function.
  - 1.(c) Monetary policy is the most effective in the classical range and ineffective in the Keynesian range. Comment.
  - 1.(d) Compare demand-pull inflation arising from real factors with that arising from monetary factors.
  - 1.(e) What are common reasons someone might use derivatives ?
  - 1.(f) What are the effects of rules of origin on international trade ?

## SECTION 'B'

(Answer any SIX out of the following NINE questions in about 200 words each)

15×6=90

2. While measurement of non-market natural assets may not be perfect, Green National Product is still a preferable alternative to traditional Gross Domestic Product. Comment. 15
3. What is Phillips' curve? How did Phelps and Friedman challenge its theoretical underpinnings? 15
4. With given aggregate demand and aggregate supply curves there will normally be only one point of equilibrium but this may not be the level of full employment. Discuss. 15
5. Discuss the role of stock exchange in the secondary market and point out its importance to the corporation. Give your answer by using examples. 15
6. Use diagram to explain foreign repercussion. Also explain its implications for international trade. 15
7. What is a Physical Quality of Life Index? How does it free the major problems associated with GNP as a measure of development? 15
8. How does speculation occur in the foreign exchange market? What is a speculative attack? 15
9. To determine whether the balance of payments is in equilibrium or disequilibrium, only the autonomous transactions are considered. Explain. 15
10. Examine the salient features and economic effects of Multinational Corporations (MNCs). 15

## SECTION 'C'

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

20×4=80

11. Examine the factors that affect supply and demand in the loanable funds model. What effects do budget deficits have upon interest rates? 20
12. Tobin's portfolio balance theory analyses the behaviour of an individual wealth holder who is uncertain about the future and thus holds a diversified asset portfolio. Discuss. 20
13. Briefly portray the Harrod-Domar growth model. Enumerate its strength and weaknesses. 20
14. Elucidate Heckscher-Ohlin theory of international trade. Highlight some of the shortcomings of this theory. 20
15. Explain Romer's model of Endogenous Technical change. Discuss the policy implications of endogenous growth theory for both developed and developing economies. 20
16. Examine Sen's Capability Approach to development as guiding theory for development policy. 20