

GENERAL ECONOMICS-II

2018

Time Allowed : Three Hours

Maximum Marks : 100

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 chronological 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]

6x5=30

1. Answer the following questions in about 100 words each:

- 1.(a) Compare and contrast the notion of equilibrium in Classical and Neoclassical thought.
- 1.(b) Consider an economy with three final goods industries X, Y and Z. In 2016 and 2017, the prices per unit, p , and outputs q , in units of X, Y, Z, per year were as follows :

Industry	2016		2017	
	p	q	p	q
X	2.00	100	2.50	120
Y	3.00	50	3.25	60
Z	1.00	25	2.00	25

- (i) What are the GDP levels in both years in current prices and 2016 prices ?
- (ii) By what percentage has the economy grown in real terms ? By what percentage have prices increased ?
- 1.(c) Explain the neutrality of money.
- 1.(d) Describe the roles played by banks and stock markets in economic growth.
- 1.(e) Discuss Poverty-Growth-Inequality triangle in the process of sustainable economic development.
- 1.(f) The following table provides the productivity of two countries: India and Bangladesh in terms of production of paddy and textiles. Since India appears to enjoy more efficiency in production of both the goods, do you think that trade is not beneficial between the two countries ? Justify your answer.

Output per unit of labour		
	India	Bangladesh
Paddy	4	1
Textile	8	6

SECTION 'B'

[Answer any SIX out of the following NINE questions in about 200 words each] 15x6=90

2. What are the similarities between and the differences in the Keynesian and the Monetarist models ?
3. Explain the basic features of Kaldor's model of growth and distribution.
4. Discuss W. W. Rostow's stages theory of economic development.
5. Describe the elements of an Optimal Insurance Contract.
6. State and prove the Stolper Samuelson Theorem in international trade. What is the magnification effect ?
7. With respect to devaluation, briefly explain the J curve effect.
8. How far can Trade Related Intellectual Property Rights (TRIPS) encourage innovations in developing countries ?
9. What are the salient features of the Eurozone Crisis ?
10. Discuss the importance of inequality-adjusted human development index (IHDI) and gender inequality index (Gil) in connection with the status of overall human development in an economy.

SECTION 'C'

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

20x4=80

11.

(i) Consider a hypothetical economy (all figures in lakhs crores for the year 2017) where consumption spending was Rs. 100, government spending was Rs. 50, and production of goods and services was Rs. 250. If planned investment spending that year was Rs. 75, what was the unplanned change in inventories?

(ii) In an economy, the cash reserve ratio is 0-2, the cash deposit ratio is 0-6. There is Rs. 375 in currency and Rs. 125 in commercial bank reserves. Calculate the money supply. 10+10

12. Derive the steady state equilibrium growth path in the Solow model. What happens to the system when technical progress is introduced ?

13. What is the Liquidity Trap ? Discuss the effectiveness of fiscal and monetary policy in this context.

14. Assume that there are following changes occurring in open economy separately. Find their effects on national income and Balance of Trade, individually, assuming that marginal propensity to save is 0-1 and marginal propensity to import in the economy is 0-15. Find the effects of:

(i) Domestic investments increase by Rs. 100 crores

(ii) Exports increase by Rs. 100 crores

(iii) Imports increase by Rs. 100 crores 6+7+7

15. Characterize the role of a financial instrument in the financial crisis of 2008.

16. State briefly the roles of the IMF and World Bank in shaping the framework of economic development from the Second World War to the present.

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