

**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) Distinguish between Mercantilism and State Socialism.  $2\frac{1}{2}+2\frac{1}{2}$
- (b) Explain the concepts of Real GDP and Nominal GDP. Which is a better indicator to measure economic performance of a country ? 3+2
- (c) The origins of Keynesian Revolution can be found in the problem of unemployment. Explain. 5
- (d) State and explain the trade creation and trade diversion effects of Customs Union.  $2\frac{1}{2}+2\frac{1}{2}$
- (e) Explain how Current Account in Balance of Payments is different from Capital Account.  $2\frac{1}{2}+2\frac{1}{2}$
- (f) What is a Derivative Market ? Explain the merits and demerits of derivative market. 2+3

## SECTION B

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

15×6=90

- Q2.** What is National Income ? Why is measurement of national income done ? What changes are brought into the basic equation of a two-sector model with the introduction of government sector ? 3+5+7
- Q3.** The economic ideas of J.S. Mill are essentially rooted in the economics of Adam Smith and David Ricardo. Explain. 15
- Q4.** What are the similarities and differences between the Fisherian and Cambridge versions of the Quantity Theory of Money ? 7+8
- Q5.** State and explain the components of equity market. How does trading take place in the equity market ? 9+6
- Q6.** In the Harrod model there is no automatic mechanism that will ensure the equality between  $s/v$  and  $n$ . Explain. 15
- Q7.** Explain the non-tariff barriers to trade. What are their implications on international trade ? 10+5
- Q8.** Explain how Kaldor's model of economic growth has solved the problem of discrepancy between the warranted rate and natural rate of growth. 15
- Q9.** State and explain the Foreign Trade Multiplier. Examine its implications on international trade of a country. 10+5
- Q10.** What are the major objectives of IMF ? Do you agree that the IMF has succeeded in addressing global financial problems ? 7+8

## SECTION C

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

20×4=80

- Q11.** What is Green National Income ? How is it computed ? Explain why Green National Income accounting is essential for sustainable human development. 5+5+10
- Q12.** State and explain Stolper-Samuelson Theorem. What are its implications on a labour-abundant economy ? 10+10
- Q13.** Explain disequilibrium in the Balance of Payments. Elucidate the monetary and non-monetary measures to correct disequilibrium in the Balance of Payments. 5+15
- Q14.** Explain Human Poverty Index (HPI) as a measure of Human Development. How is it different from Physical Quality of Life Index (PQLI) ? 15+5
- Q15.** Critically examine the role of Multinational Corporations in the global economic development. 20
- Q16.** Differentiate between Demand-Pull Inflation and Cost-Push Inflation. Describe in detail their causes and impact on the economy. Suggest appropriate policy measures to control inflation. 5+10+5