

ARUNACHAL PRADESH PUBLIC SERVICE COMMISSION

SUBJECT: - ECONOMICS

Time: 3 (Three) hours

Full marks: 100

Q. 1. Answer any 6 (six)

6x5 = 30

- a) What is paradox of thrift?
- b) Explain how supply of money depends upon the high-power money.
- c) Write the economic effects of tariffs.
- d) What is meant by Crowding-out effect of government's fiscal policy?
- e) What do you understand by the term 'Money Illusion' in the Keynesian theory of employment?
- f) What are the factors which determine demand for foreign exchange?
- g) What do you mean by factor intensity reversal?
- h) What is meant by Currency convertibility?
- i) What are the main effects of inflation on output and distribution of income?

Q. 2. Answer any 3 (Three)

3x10 = 30

- a) Examine David Ricardo's theory of Capital Accumulation.
- b) Discuss Ranade's critique of Laissez-faire relating to the 'Drain of Wealth Controversy'.
- c) Explain the factors responsible for the growth of Multi-National Corporations (MNCs) in India.
- d) What is Terms of Trade ? Discuss briefly the important measures of terms of trade.
- e) What are the goals and instruments of monetary management in an open economy?

Q.3. Answer any 2 (TWO)

2 X 20 = 40

- a) How is stability of equilibrium in Walrasian sense different from that in Marshallian sense? Explain a case in which Marshallian approach leads to stability while the Walrasian approach does not.

- b) Identify the factors which have kept the fiscal deficit high in India. Suggest some policy measures on taxation and public expenditure that can reduce the fiscal deficit.
- c) What is liberalization of trade? What steps have been taken by World Trade Organisation (WTO) to promote trade liberalization?
- d) Discuss the composition and direction shifts in India's foreign trade. What is your view on the trade policy from Import substitution to Export promotion?

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