

COMBINED COMPETITIVE EXAMINATION (MAIN)

ECONOMICS

Paper—I

Time : 3 hours

Full Marks : 200

Note : (1) The figures in the right-hand margin indicate full marks for the questions.

(2) Attempt **five** questions in all.

(3) Question No. 1 is compulsory.

1. Answer any *ten* of the following :

4×10=40

- (a) What is business cycle?
- (b) What is consumer's surplus?
- (c) What is Say's law?
- (d) What is price discrimination?
- (e) What is the iron law of wages?
- (f) How are the wage goods defined?
- (g) What are the human development indicators?
- (h) What is human capital?
- (i) What do you mean by crowding out effect?
- (j) What is high-powered money?
- (k) What is oligopoly?
- (l) What are the characteristics of a public good?

2. Answer any *eight* of the following :

5×8=40

- (a) What is the role of intermediaries in the financial market?
- (b) Distinguish between nominal and real rate of interest.
- (c) What are the gains from trade?
- (d) What is the Fisher's quantity theory of money?
- (e) What is the quid pro quo relationship in public economics?
- (f) How are innovation and profits related to each other?
- (g) What is the relationship between capital and investment?
- (h) What is a consumption function?
- (i) Distinguish between cost-push and demand-pull inflation.
- (j) Distinguish between backwash and trickle-down effects.

3. Answer any *five* of the following :

8×5=40

- (a) In which way the aggregate money supply may be dependent on the rate of interest?
- (b) Distinguish as well as show the relationship between marginal propensity to consume and average propensity to consume.
- (c) Discuss the justification of the assumption of strong excess capacity in the simple Keynesian model.
- (d) What do you mean by protection in international trade? Why may a protectionist policy be needed?
- (e) What are the different stages of economic growth?
- (f) How factor abundance determines international trade?
- (g) How can you justify deficit financing?

4. Answer any *four* of the following :

10×4=40

- (a) Discuss the output adjustment process in a simple Keynesian model. In this context, mention the justification of the assumption that marginal propensity to consume is less than unity.
- (b) What do you mean by 'balanced budget multiplier' or BBM? Show that the value of BBM is unity when investment is autonomously given.
- (c) What is 'stagflation'? Discuss the factors that may cause it.
- (d) What is the 'Leontief paradox'? What lessons one learns from its various possible solutions?
- (e) What do you mean by self-reliance in development? Is absolute self-reliance attainable?

5. Answer any *two* of the following :

20×2=40

- (a) What are the stages of (international) economic integration? What may be the obstacles to it?
- (b) Critically discuss the possibilities of economic development under surplus labour.
- (c) Distinguish between the Marshallian and the Walrasian approaches to market clearance and price determination.

6. Answer any *four* of the following :

10×4=40

- (a) What is the difference between impact and incidence of taxation? Under what conditions the incidence of a tax cannot be shifted?
- (b) Discuss the law of comparative advantages. What are the obstacles to its smooth functioning?
- (c) What is the tragedy of commons? How can this problem be ameliorated?
- (d) Do equilibria of competitive markets ensure Pareto optimality? Elucidate your answer.
- (e) What are the various monetary instruments? How are they effective in controlling inflation?

7. Answer any *two* of the following : 20×2=40
- (a) What is the difference between perfect and pure competition? How may this difference reflect in price determination?
 - (b) How does the sectoral composition of income change with development? What are the implications of excessive growth of income in the tertiary sector vis-à-vis the secondary sector?
 - (c) What is the basic need approach to welfare? How is it different from the capability approach?
8. What is the IMF's mission and how has it changed over time? How do multinational corporations benefit from IMF policies? 40
9. How do monetary and fiscal policies affect each other? What, in your opinion, are the considerations to arrive at an appropriate policy mix? 40
10. What is the convergence-divergence hypothesis regarding levels of living in developed and developing economies? What are the factors that may impede the tendency to convergence? 40

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