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) Define Dialectical Materialism and differentiate it from Dialectical Idealism. *5*

(b) Explain the inclusiveness of a Green Economy. *5*

(c) Justify that thriftiness is not a boon but a bane in the capitalist economy. *5*

(d) What are the commonalities and differences between forwards and future contracts ? *5*

(e) What are the dimensions and indicators of global multidimensional poverty index ? *5*

(f) Explain how international trade affects the sustainable development adversely. *5*

SECTION B

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

15×6=90

Q2. Explain and justify critically how bullionism as a strategy strengthens the domestic economy. *15*

Q3. Gross Domestic Product is not an index of economic welfare — Substantiate. Elucidate the advantages and disadvantages of Physical Quality of Life Index. *15*

Q4. How do the Keynesian, monetarists and rational expectation theorists differ in their views regarding trade-off between inflation and unemployment ? Examine critically. *15*

Q5. How would you measure financial market efficiency ? Explain the efficient market hypothesis and random walk hypothesis. *15*

Q6. Give an outline of Kaldor's Theory of Growth. Show that in the long run equilibrium, share of profit and the rate of profit are uniquely determined. *15*

Q7. In the one-commodity neoclassical growth model, trace the impact of change in savings ratio on the steady state equilibrium. In this context, how would you ensure the optimal steady state ? Explain. *15*

Q8. What are the important causes and consequences of global financial crisis of 2008 ? *15*

Q9. Define and derive the foreign trade multiplier. Suppose the marginal propensity to consume is 0·7 and the marginal propensity to import is 0·1 and there is an increase in the value of export by ₹ 2,000 crores. What will be the increase in GDP ? *15*

Q10. Discuss the role of the World Bank in fighting global poverty. *15*

SECTION C

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

20×4=80

Q11. How is the level of income and the rate of interest determined simultaneously in the Keynesian IS – LM Model ? Explain the condition of stability of equilibrium and policy relevance in the IS – LM framework.   *20*

Q12. How is Tobin's Portfolio Balance Approach an improvement over Keynesian regressive expectations model ? Derive the demand function for bonds in Tobin's Portfolio Balance Approach.   *20*

Q13. Consider the AK Model of endogenous growth theory and find out the steady state equilibrium. Examine the possibility of convergence in the endogenous growth theory.   *20*

Q14. Explain A.K. Sen's capability approach to economic development. Elucidate the difference between capability approach and utilitarianism.   *20*

Q15. State and explain the Heckscher-Ohlin theory and comment on its applicability in the presence of factor intensity reversal.   *20*

Q16. The success of devaluation in improving the balance of payment deficit depends on the country's price elasticities of domestic demand for imports and foreign demand for exports. Explain.   *20*