1(CCE.M)3

Economics–I

(08)

Time : Three Hours]   [Maximum Marks : 300

INSTRUCTIONS

(i)   Answers must be written in English.

(ii)   The number of marks carried by each question is indicated at the end of the question.

(iii)   The answer to each question or part thereof should begin on a fresh page.

(iv)   Your answer should be precise and coherent.

(v)   The part/parts of the same question must be answered together and should not be interposed between answers to other questions.

(vi)   Candidates should attempt questions **1** and **5** which are compulsory and any **three** more questions out of the remaining questions, selecting at least **one** question from each Section.

(vii)   If you encounter any typographical error, please read it as it appears in the text-book.

(viii)   Candidates are in their own interest advised to go through the General Instructions on the back side of the title page of the Answer Script for strict adherence.

(ix)   No continuation sheets shall be provided to any candidate under any circumstances.

(x) Candidates shall put a cross (x) on blank pages of Answer Script.

(xi) No blank page be left in between answer to various questions.

(xii) No programmable Calculator is allowed.

(xiii) No stencil (with different markings) is allowed.

SECTION–A

1. Answer any **three** in 200 words each :

   (i) A system of National Accounts indicates what the inter-sectoral flows actually are but it throws no light on how the flows can be altered. Comment.   20

   (ii) The equality between ratio of marginal utilities of commodities and the ratio of their prices is implied in both Marshall's and Hicks' analysis of consumer equilibrium and yet the two are regarded as being different. Why ?   20

   (iii) The ultimate cause for the operation of the law of diminishing returns is that the elasticity of substitution between factors of production is not infinite. Examine.   20

   (iv) In spite of the introduction of expectations, Keynesian analysis of investment remains a static rather than a dynamic theory. Explain.   20

2. Explain Chamberlin's concept of excess capacity. What, according to him, is responsible for the emergence of excess capacity under monopolistic competition ?   60

3. Investment decisions are as much influenced by the psychology of investors as by the market conditions. Discuss.   60

4. Harrod-Domar growth model has both descriptive and prescriptive value. Explain.   60

SECTION–B

5. Answer any **three** in 200 words each :

   (i) Distinguish between nominal and effective rate of tariff on imports highlighting the significance of each for different groups in an economy.   20

   (ii) What is dead weight loss in the theory of taxation ? How can it be measured ?   20

   (iii) Outline the Marshall-Lerner condition for effective devaluation.   20

   (iv) Why is International Development Association called 'Soft Window' of International Bank for Reconstruction and Development ?   20

6. Why is it that for a given objective or objective-mix, monetary policy is less effective in a less developed economy than in a more developed economy ?   60

7. Discuss the effects of a deficit public budget on the allocation of resources and level of economic activity in a planned developing economy.   60

8. Distinguish between spot and forward exchange rates. Critically examine Purchasing Power Parity theory of foreign exchange.   60