Civil Services (Main) Examination, 2004

# ECONOMICS

## (Paper I)

*Time Allowed : Three Hours* | *Maximum Marks : 300*

**QUESTION PAPER SPECIFIC INSTRUCTIONS**

**Please read each of the following instructions carefully before attempting questions :**

There are **EIGHT** questions divided in **TWO SECTIONS**.

Candidate has to attempt **FIVE** questions in all.

Questions no. **1** and **5** are compulsory and out of the remaining, any **THREE** are to be attempted choosing at least **ONE** question from each Section.

The number of marks carried by a question/part is indicated against it.

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## SECTION 'A'

**1.** Answer any three of the following questions. Each answer should not exceed 200 words: 20×3=60

(a) Show that the exponents of the Cobb-Douglas production function are a measure of the factor share in output as well as the elasticity of output with respect to the factor.

(b) Do you agree with the view that in competitive banking environment, the Bank Rate has lost its effectiveness to control credit? Give reasons for your answer.

(c) Lately, too much concern has been shown regarding the size of the fiscal deficit; what matters more is the reason for the deficit rather than the size. Comment.

(d) Trace out the relationship between increasing foreign exchange reserves and money supply.

**2.** Critically examine Mundell's approach for the effective use of monetary and fiscal policy to attain macro balances. 60

**3.** Explain Patinkin's approach to integrate the Value theory and Monetary theory. 60

**4.** Distinguish between the effect and incidence of direct taxation. How do direct taxes affect the production and savings in the economy. 60

## SECTION 'B'

**5.** Answer any three of the following questions. Each answer should not exceed 200 words: 20×3=60

(a) What is Kuznet's hypothesis? What are its implications for a developing economy?

(b) Explain Leontief paradox.

(c) Is Wagner hypothesis an adequate explanation of increase in public expenditure in recent times? Explain.

(d) What do you understand by tax buoyancy and elasticity of tax revenue?

**6.** What is a Customs' Union? Discuss the effects of a Customs' Union formation under partial equilibrium conditions. 60

**7.** Major theories of growth namely, Classical, Marxian, Keynesian and Schumpeterian, all predict crisis in the later stages of capitalist development. Comment and give reasons for your answer 60

**8.** What are the main features of Neoclassical growth theory? Explain them with the help of Solow's growth model. 60

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*English version compiled from published transcriptions and cross-checked across sources; not a facsimile of the official UPSC question paper.*



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