Civil Services (Main) Examination, 2011

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.

SECTION 'A'

1. Answer the following in not more than 200 words each: 20×3=60

(a) Elucidate how does Kalecki's theory of distribution share the value of output between labour and capital.

(b) The marginal efficiency of capital together with the current rate of interest determine the profitability of an investment project. How does it help in the selection of an investment project?

(c) Is Friedman's quantity theory of money close to Classical or Keynesian approach to the aggregate demand for money? Give justifications for your arguments.

2. (a) The 'non-rival nature' of social goods consumption has important bearing on efficient resource allocation. Explore the problem with the examples and diagrams. 20

(b) How does the burden of tax distribution between buyers and sellers in the ratio of elasticity of demand and that of supply take place? 20

(c) 'Monetarists are of the view that only money does and Keynesians believe that money does not matter.' What is your reasoning of the extreme views held by the monetarists and the Keynesians? 20

3. (a) What is the difference between horizontal equity and vertical equity while considering ability to pay? How should the problem be resolved? Illustrate graphically. 20

(b) What is 'liquidity trap'? How does it occur? Illustrate. 20

(c) Would the introduction of automatic teller machines, which allows people to withdraw cash from banks as needed, make deposits more inconvenient and affect the money supply? Elucidate. 20

4. (a) How do the small trading nations share the gains from trade which occur, as a consequence of gains from exchange and gains from specialisation? 20

(b) If all assumptions hold true, how does trade between nations tend to bring about equalisation of factor prices? 20

(c) How does portfolio balance approach differ from monetary approach in determining the exchange rate? 20

SECTION 'B'

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

Optional Province · optionalprovince.com

5. Answer the following in not more than 200 words each: 20×3=60

(a) What do the following terms signify in structural transformation and growth? (i) Kuznets' U-shaped curve (ii) Environmental Kuznets curve (iii) N-shaped Kuznets curve in the long-run

(b) How can the structural independence between A-sector and K-sector in the dualistic economy foster growth in the absence of external stimuli?

(c) Compare Human Development Index (HDI) with Human Poverty Index (HPI) as a measure of development. How is the Human Poverty Index different from the Happy Planet Index?

6. (a) Why do energy elasticities tend to unity in industrially advanced countries? 20

(b) What are the negative externalities of high energy coefficients? 20

(c) How is subsidy better than tariff to achieve domestic objectives? 20

7. (a) How does the policy mix of fiscal and monetary policies maintain equilibrium in balance of payments and full employment? 20

(b) How is warranted growth different from natural rate of growth? Explain why Harrod's growth model is called 'knife-edge'. 20

(c) In the contemporary world of perfect capital mobility and fixed exchange rates, why is the monetary policy ineffective to maintain equilibrium? 20

8. (a) How does Solow incorporate investment in education in the growth model to achieve long-run growth? 20

(b) What are the objectives of National Environment Policy, 2006? 20

(c) What are India's gains under WTO regime with respect to (i) Service sector, (ii) Globe-Hex model? 20

Optional Province · optionalprovince.com