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## IEcoS General Economics Paper 2 Papers 1998

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## IEcoS General Economics Paper 2 1998

### Section-I

1. Answer any two of the following:

- a. Explain how Solow removes the rigidity in the Harrod-Domar growth model in explaining the growth process. 30
- b. What is meant by selective credit control? What are the different types of controls and how are they used as tools for monetary management? 30
- c. State and prove under what conditions the devaluation of the currency of a country will improve as the Balance of Payments (BoP) position of the country. 30
- d. With regard to fiscal policy, explain why the implementation lag may be long. What sort of changes might be made to reduce the implementation lag? 30

### Section-II

Answer any two of the following

1. Distinguish between internal debt and external debt. Which one is more burdensome? Give your reasons. 25
2. Explain how Mahalanobis demonstrated in his model, used for the formulation of the Second Five-Year Plan, that higher the allocation of investments in the investment-good industries, the lower will be the rate of growth of income in the short-run, but higher will it be in the long-run. 25
3. Given below is a simplified consolidated Balance Sheet of a commercial bank. Assets (₹ In crores) Liabilities (₹ In crores) Reserves 750 Demand Deposits 2,500 Securities 500 Loan 1,250 The cash-reserve ratio is 20 percent. How much is the excess reserve? What is the maximum lending capacity of the bank? Recast the Balance Sheet of the bank, if reserve ratio is changed to 25 percent. 25
4. What do the Arithmetic Mean and Standard Deviation of a frequency distribution depict? Explain how using these two measures the inequalities in the distribution of income in two sets of households can be compared, given the frequency distribution of the two sets of households according to income class. 25

### Section-III

Answer any two of the following

1. The monetary approach is believed to be the most useful tool for the analysis of inflation and balance of payments problems in developing countries. Do you agree? Discuss. 45
2. Examine the effects of quota and tariff on the terms of trade. Discuss the advantages of quota over tariff. 45
3. Assess the effectiveness of various poverty alleviation programmes implemented during the successive Five Year Plans since the Fifth Plan. 45
4. Discuss the inter-relationship between population growth and economic development with special reference to India. 45