ECONOMICS

First Paper

Time—3 hours .   Full Marks—200

Answer any FIVE questions.

Questions are of equal value.

Figures in the margin indicate marks.

1. What is an indifference curve ? Prove that no two indifference curves can cut each other. Explain substitution effect with the help of indifference curves.

$8+12+20$

2. Distinguish between laws of returns and returns to scale. Explain the various economies of scale. $20+20$

3. (a) Can a firm under perfect competition determine the price of its product ? Justify your answer.

(b) Can the monopolist fix the price of his product and decide at the same time the volume of sale ? Give justifications in support of your answer. $20+20$

[*Turn over*

4. Comment on the following :

10+10+10+10

(a) Rent of land is a leading species of a large genus.

(b) The rate of interest is what it is because it is expected to be other than it is. But if it not expected to be other than it is, then there is nothing to tell us why it is what it is.

(c) Trade Unions cannot raise the general wage level.

(d) Profit is a reward for uncertainty bearing.

5. "The right remedy for trade cycle is not to be found in abolishing booms and keeping us permanently in semi-slump, but in abolishing slumps and thus keeping us permanently in a quasi-boom." Examine the statement.

40

6. What is GNP ? Explain the expenditure method of computing GNP. What are the difficulties in estimating GNP ?

5+15+20

7. Explain the cash balance approach

to the quantity theory of money. Is it superior to the cash transaction version? Give arguments in support of your answer.

20+20

8. Define inflation and deflation. Between the two which one would you choose and why? Give reasons. 20+20

9. Explain with the help of illustrations the process of multiple credit creation by the commercial banking system. What are the limiting factors? 30+10

10. How is the rate of exchange between two currencies determined? Discuss in this connection the relevance of the purchasing power parity theory. 30+10