Total number of printed pages—2

IX-IV-T-19

1994

ECONOMICS

First Paper

Full Marks—200

Time : Three hours

Figures in the margin indicate full marks.

1. Draw a demand curve and a supply curve from hypothetical demand and supply schedules respectively, and point out the equilibrium market price. State clearly the distinction between a 'change in demand' and a 'change in quantity demanded'. Do you agree with the view that a steep slope on demand curve means inelastic demand and a flat slope means elastic demand ? Give reasons. 20+5+5=30

2. Explain and illustrate the Law of Diminishing Returns. Why does the law operate ? Under what ideal conditions can the operation of this law be checked ? Indicate the bearing of this law in the Malthusian theory of population. 15+5+5+5=30

3. Inflation is said to be a short-run phenomenon peculiar to a full-employment economy ; if that is so, why do we find inflationary pressure in developing economy which has not achieved full-employment ? Give reasons. Enumerate the measures that can be taken by (i) the monetary authority, (ii) the tax department of the Government, and (iii) the general public, to check inflation in a country. 15+5+5+5=30

Contd.

4. What is meant by the exchange rate between the rupee and the dollar? If Rs. 130 is needed to purchase \$ 4, what would be the exchange rate? How was equilibrium exchange rate determined and maintained under (i) the Gold Standard (1870—1931), and (ii) I.M.F. Standard (1945—1971). 5+5+10+10=30

5. Comment on the following : 5×4=20

(a) "A market ceases to be a market as soon as it attains perfection".

(b) "......a world without consumer's surplus would, for most of us, be a dull place".

(c) "Knowledge is the only instrument of production that is not subject to diminishing returns".

(d) "The theory of distribution is only a special case of the theory of value.

6. Critically discuss the marginal productivity theory of wages. 30

7. Write short notes on *any four* of the following : 6×5=30

(a) Central banking system
(b) Cambridge equation
(c) Price index
(d) Control of inflation
(e) Unemployment
(f) Quasi-rent
(g) Isoquants