

2012 December UGC NET Solved Question Paper in Economics Paper 2

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Q. Nos. 1-10: Read the following questions and choose the correct answer from the options given below these questions.

1. For downward movement along the iso-quant, MRTS of Labour per unit of capital ($MRTS_{L,K}$) is given by

(A) $-dK/dL$

(B) dK/dL

(C) dL/dK

(D) $-dL/dK$

Answer: (A)

2. Charging a different price in different markets is called

(A) price discrimination

(B) second degree price discrimination

(C) third degree price discrimination

(D) perfect price discrimination

Answer: (A)

3. Which of the following is the most significant in stabilization policy ?

(A) Private investment

(B) Inventory investment

(C) Autonomous investment

(D) Public investment

Answer: (C)

4. The concept of vicious circle of poverty is associated with

- (A) Kindleberger
- (B) Schumpeter
- (C) Ragnar Frish
- (D) Gunnar Myrdal

Answer: (D)

5. Solow built his model as an alternative to

- (A) Kaldor's model of growth
- (B) Ranis-Fei model of growth
- (C) Harrod-Domar model of growth
- (D) Meade's model of growth

Answer: (C)

6. If interest payments are subtracted from gross fiscal deficit, the remainder will be

- (A) revenue deficit
- (B) gross primary deficit
- (C) capital deficit
- (D) budgetary deficit

Answer: (B)

7. Which of the following measures of central tendency will be the most appropriate to use if the data relate to rates, proportions and ratios ?

- (A) Arithmetic mean
- (B) Median
- (C) Harmonic mean
- (D) Geometric mean

Answer: (D)

8. Opportunity cost version of comparative cost advantage doctrine was introduced by

- (A) J.M. Keynes
- (B) Kindleberger
- (C) Haberler
- (D) Karl Marx

Answer: (C)

9. The most popular definition of sustainable development is given by

- (A) World Development Report
- (B) UNDP Report
- (C) Brundtland
- (D) IMF Report

Answer: (C)

10. During the planning period, highest growth rate was achieved during

- (A) eighth plan
- (B) tenth plan www.netugc.com
- (C) ninth plan
- (D) seventh plan

Answer: (B)

Q. Nos. 11-20 : Read the questions and select the correct option for the answer from the list given below :

11. Labour theory of value was propounded by

- a. Adam Smith

- b. David Ricardo
- c. Ragnar Nurkse, Gunnar Myrdal, R.M. Solow
- d. Fei-Rani's, Ragnar Nurkse

Codes :

- (A) a and b
- (B) a and c
- (C) a, b, c
- (D) a, b, c, d

Answer: (A)

12. The features of the classical system are

- a. Monetary factors determine output and employment.
- b. Self adjusting mechanism of the economy.
- c. State action to direct development.
- d. Optimization through market in the absence of state control.

Codes :

- (A) a and b
- (B) a, b, c
- (C) b and d
- (D) a, b, d

Answer: (C)

13. Concepts of displacement and concentration effect in public expenditure are attributed to

- a. A.C. Pigou and J.K. Mehta
- b. Alan T. Peacock and Jack Wiseman
- c. Kenneth Arrow and Paul A. Samuelson
- d. A.R. Prest and I.M.D. Little

Codes :

- (A) a and b
- (B) b
- (C) a, b, c
- (D) a, b, c, d

Answer: (B)

14. Human Development Index (HDI) is constructed with reference to

- a. Life expectancy at birth, real GDP per capita, gross enrolment ratio, adult literacy rate.
- b. Life expectancy at birth, real GDP per capita, combined gross enrolment ratio, adult literacy rate.
- c. Life expectancy, GDP per capita, infant mortality rate, literacy rate.
- d. GDP per capita, infant mortality rate, literacy rate

Codes :

- (A) a and b
- (B) a and c
- (C) c
- (D) a, b, d

Answer: (C)

15. The unbalanced growth model was propounded first by

- a. Albert O. Hirschman
- b. H.S. Singer and Raul Prebisch
- c. Kindelberger and Ragnar Nurkse
- d. W.W. Rostow and Paul Streeten

Codes :

- (A) a and b

(B) a and c

(C) a and d

(D) a

Answer: (A)

16. Harrod-Domar model of growth is based on the concepts of and their equality

- a. Population and productivity growth.
- b. Investment and average growth rate of income.
- c. Actual, warranted and natural growth rate.
- d. Productivity growth and investment growth.

Codes :

(A) a and c

(B) a and d

(C) c

(D) a, b, c

Answer: (C)

17. Factor endowment theory is also known as

- a. Modern theory of international trade.
- b. Classical theory of international trade.
- c. Reciprocal demand theory.
- d. Factor proportions theory of international trade.

Codes :

(A) a and b

(B) b and c

(C) a and d

(D) c and d

Answer: (C)

18. Most important theory of increasing public expenditure is associated with

- a. Adolph Wagner's hypothesis
- b. Critical limit hypothesis
- c. Administrative efficiency hypothesis
- d. Stability of income hypothesis

Codes :

- (A) a and b
- (B) a and c
- (C) a
- (D) c and d

Answer: (C)

19. Under the Brettonwood system, the long term development assistance was to be provided by

- a. IBRD
- b. IDA
- c. IMF
- d. All the above

Codes :

- (A) a and b
- (B) a, b, c
- (C) b and c
- (D) d

Answer: (A)

20. The Planning Commission of India has recently announced the poverty line as

- a. Rs. 42 per day per person for urban area.
- b. Rs. 26 per person per day for rural areas.
- c. Rs. 32 per person per day for urban areas.
- d. Rs. 32 per day per person for rural areas.

Codes :

- (A) a and b
- (B) a and c
- (C) b and c
- (D) c and d

Answer: (B)

Q. Nos. 21-30 : Read the following questions and select the right combination of Assertion (A) and Reason (R) from the codes given below :

21. Assertion (A) : There is a natural tendency to collude under oligopoly.

Reason (R) : Inter-dependence of firms in oligopolistic markets.

Codes :

- (A) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).
- (B) Both (A) and (R) are correct, and (R) is the correct explanation of (A).
- (C) (A) is correct, but (R) is incorrect.
- (D) (A) is incorrect, but (R) is correct.

Answer: (B)

22. Assertion (A) : In short run, the marginal cost of output is the cost of additional labour and materials used in production.

Reason (R) : Materials and labour used in production alone vary in short run.

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- (A) (A) is correct and (R) is incorrect.
- (B) (A) is incorrect, but (R) is correct.

(C) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(D) Both (A) and (R) are incorrect.

Answer: (C)

23. Assertion (A) : Post reform liberal trade policies have stimulated India's growth.

Reason (R) : Private enterprise got opportunities to contribute to growth of Indian manufacturing industries.

Codes :

(A) Both (A) and (R) are correct, and (R) is the correct explanation of (A).

(B) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).

(C) Both (A) and (R) are incorrect.

(D) (A) is incorrect, but (R) is correct.

Answer: (A)

24. Assertion (A) : Use of goods and services from which one can be excluded are pure private goods.

Reason (R) : Such goods and services are not provided free by the State.

Codes :

(A) Both (A) and (R) are correct and (R) is the correct explanation of (A).

(B) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).

(C) (A) is correct, but (R) is incorrect.

(D) (A) is incorrect, but (R) is correct.

Answer: (A)

25. Assertion (A) : 'A country is poor because it is poor'.

Reason (R) : Income of a poor country is low, so its savings and investment are low. Low investment limits its productive capacity which leads to low output and income.

Codes :

- (A) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).
- (B) Both (A) and (R) are correct and (R) is the correct explanation of (A).
- (C) (A) is correct, but (R) is incorrect.
- (D) (A) is incorrect, but (R) is correct.

Answer: (B)

26. Assertion (A) : All historical events are the result of a continuous economic struggle between different classes and groups in a society.

Reason (R) : This struggle is because of the conflict between the mode of production and the value attached to the roles of different agents of production.

Codes :

- (A) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).
- (B) Both (A) and (R) are correct and (R) is the correct explanation of (A).
- (C) (A) is correct, but (R) is incorrect.
- (D) (A) is incorrect, but (R) is correct.

Answer: (B)

27. Assertion (A) : K/L will adjust through time to the equilibrium value of the ratio.

Reason (R) : Technical coefficients of production are fixed.

Codes :

- (A) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).
- (B) Both (A) and (R) are correct and (R) is the correct explanation of (A).
- (C) (A) is correct, but (R) is incorrect.
- (D) (A) is incorrect, but (R) is correct.

Answer: (B)

28. Assertion (A) : Investment has a demand effect.

Reason (R) : Investment augments the productivity and income in the economy.

Codes :

- (A) Both (A) and (R) are correct and (R) is the correct explanation of (A).
- (B) Both (A) and (R) are correct, but (R) is not the correct explanation of (A).
- (C) (A) is correct, and (R) is not correct.
- (D) (A) is incorrect and (R) is correct.

Answer: (A)

29. Assertion (A) : Agriculture is the main source of livelihood of people in India.

Reason (R) : Measures for agricultural development should be undertaken.

Codes :

- (A) Both (A) and (R) are correct and (R) is the correct explanation of (A).
- (B) Both (A) and (R) are correct, but (R) is incorrect explanation of (A).
- (C) (A) is correct, but (R) is incorrect.
- (D) (A) is incorrect and (R) is correct.

Answer: (A)

30. Assertion (A) : In the following regression equation $Y = a + bX$, 'a' shows the autonomous value of Y.

Reason (R) : If $X = 0$, $Y = a$ holds.

Hence, a is the minimum value of Y which is independent of any influence of X on Y.

Codes :

- (A) Both (A) and (R) are correct and (R) is the true explanation of (A).
- (B) (A) is correct, but (R) is not the correct explanation of (A).
- (C) (A) is correct, but (R) is not correct.
- (D) (A) is incorrect, but (R) is correct.

Answer: (A)

Q. Nos. 31-40 : Read the questions and select the correct sequence from the codes given below :

31. Identify the order of chronological development of the theory of demand.

- a. Marshall's theory of demand
- b. Indifference curves
- c. Revealed preference theory
- d. Weak Preference ordering theory of demand.

Codes :

- (A) a, c, d, b
- (B) d, b, a, c
- (C) a, c, b, d
- (D) a, b, c, d

Answer: (D)

32. Identify the correct chronological order of the following theories :

- a. Cambridge version of quantity theory of money.
- b. Fisher's version of quantity theory of money.
- c. Tobin's theory of demand for money.
- d. Baumol's theory of demand for inventory.

Codes :

- (A) c, d, a, b
- (B) b, a, d, c
- (C) d, a, b, c
- (D) a, b, c, d

Answer: (B)

33. Identify the correct chronological order of the following :

- a. Keynes' consumption function
- b. Life Cycle hypothesis
- c. Relative income hypothesis
- d. Friedman's permanent income hypothesis

Codes :

- (A) d, b, a, c
- (B) b, a, c, d
- (C) a, c, d, b
- (D) c, d, b, a

Answer: (C)

34. Identify the correct chronology of stages of Marxian model of economic development.

- a. Capitalist crisis
- b. Capital accumulation
- c. Surplus value
- d. Materialistic interpretation of history

Codes :

- (A) b, a, c, d
- (B) c, d, b, a
- (C) d, c, b, a
- (D) c, b, a, d

Answer: (D)

35. The sequencing process of Harrod's model of development is

- a. Natural growth rate
- b. Warranted growth rate
- c. Actual growth rate

d. Divergence

Codes :

(A) d, c, b, a

(B) c, b, a, d

(C) b, a, d, c

(D) a, d, c, b

Answer: (B)

36. Arrange the following summits of SAARC members in order in which these were organized :

a. New Delhi

b. Bangalore

c. Islamabad

d. Kathmandu

Codes :

(A) a, c, d, b

(B) a, b, c, d

(C) b, d, c, a

(D) c, b, a, d

Answer: (C)

37. Arrange the structure of balance of payments accounts in which these items appear :

a. Capital account

b. Errors and omissions

c. Current account

d. Official settlements account

Codes :

(A) a, b, c, d

(B) c, a, d, b

(C) d, c, b, a

(D) c, d, a, b

Answer: (B)

38. State the order of the appointment of the following as chairman of Finance Commission :

a. K.C. Neogy

b. K. Brahamanand Reddy

c. N.K.P. Salve

d. A.K. Chanda

Codes :

(A) a, c, b, d

(B) a, d, b, c

(C) a, c, d, b

(D) a, b, d, c

Answer: (B)

39. Indicate the sequence of the following in terms of the implementation.

a. Income Tax

b. Expenditure Tax

c. Value Added Tax

d. Fringe Benefits Tax

Codes :

(A) a, c, b, d

(B) a, b, c, d

(C) b, c, d, a

(D) c, d, a, b

Answer: (D)

40. Determine the order in which the following were developed

- a. Fisher's F test of significance of differences between the means of more than two samples.
- b. Gosset's t-test of difference between the means of two samples.
- c. Pearson's correlation coefficient.
- d. Spearman's rank correlation coefficient.

Codes :

- (A) a, b, c, d
- (B) b, a, c, d
- (C) c, b, a, d
- (D) d, a, b, c

Answer: (B)

Q. Nos. 41-50 : Read the following questions and match the correct pair from List – I and II. Use the codes given below for answering:

41. List – I

List – II

- | | |
|--|-------------------|
| a. Kinked demand curve hypothesis | 1. William Baumol |
| b. Sales maximization model of oligopoly | 2. Paul Sweezy |
| c. Social Welfare Criterion | 3. Adam Smith |
| d. Law of Invisible hand | 4. Bergson |

Codes :

a b c d

- (A) 4 3 1 2
- (B) 2 1 4 3
- (C) 2 3 1 4

(D) 1 4 3 2

Answer: (B)

42. List – I

- a. Psychological Law of Consumption
- b. Time preference theory of interest
- c. Public Choice View
- d. Open Economy IS-LM model

List – II

- 1. Irving Fisher
- 2. J.M. Keynes
- 3. Mundell and Fleming
- 4. Gordon Tullock

Codes :

a b c d

(A) 3 2 4 1

(B) 4 1 3 2

(C) 2 1 4 3

(D) 1 3 4 2

Answer: (C)

43. List – I

- a. Mid-day meal scheme
- b. Implementation of M-NREGA
- c. Cash Reserve Ratio
- d. Divisible Taxes

List – II

- 1. 2006
- 2. 1995
- 3. Finance Commission
- 4. Reserve Bank of India

Codes :

a b c d

(A) 1 2 3 4

(B) 2 1 4 3

(C) 4 2 3 1

(D) 3 4 1 2

Answer: (B)

44. List – I

- a. Monetary Policy
- b. Trade Policy
- c. Credit Policy
- d. Fiscal Policy

List – II

- 1. Tax Rate
- 2. Margin Money
- 3. Imports and Exports
- 4. Bank Rate

Codes :

a b c d

(A) 4 3 2 1

(B) 4 2 3 1

(C) 3 2 1 4

(D) 2 1 4 3

Answer: (A)

45. List – I

- a. J.M. Buchanan
- b. Findlay Shirras
- c. R.N. Bhargava
- d. A.P. Lerner

List – II

- 1. Canons of Public Expenditure
- 2. Functional Finance
- 3. Public-Choice Theory
- 4. Federal Finance

Codes :

a b c d

(A) 3 2 1 4

(B) 3 1 4 2

(C) 2 3 1 4

(D) 1 4 3 2

Answer: (B)

46. List – I

- a. Organic Composition of Capital
- b. Doctrine of Natural Law
- c. Innovation
- d. Doctrine of Unbalanced Growth

List – II

- 1. Hirschman
- 2. Schumpeter
- 3. Marx
- 4. Adam Smith

Codes :

a b c d

(A) 3 4 2 1

(B) 4 3 1 2

(C) 2 1 3 4

(D) 1 2 4 3

Answer: (A)

47. List – I

- a. Low Income Equilibrium Trap
- b. Poverty Measurement
- c. Laissezfair
- d. Industrial Reserve Army

List – II

- 1. Karl Marx
- 2. Adam Smith
- 3. Nelson
- 4. Suresh Tendulkar

Codes :

a b c d

(A) 1 2 4 3

(B) 3 4 2 1

(C) 4 3 1 2

(D) 2 1 3 4

Answer: (B)

48. List – I

- a. Law of Absolute Cost Advantage
- b. Doctrine of Comparative Cost Advantage
- c. Modern Theory of International Trade
- d. Opportunity Cost Principle

List – II

- 1. Haberler
- 2. Heschel-Ohlin
- 3. Adam Smith
- 4. Ricardo

Codes :

a b c d

(A) 4 2 1 3

(B) 3 4 2 1

(C) 2 3 4 1

(D) 1 4 3 2

Answer: (B)

49. List – I

- a. Monetarism
- b. Employment multiplier
- c. Multiplier effect of balanced budget
- d. Rational expectation hypothesis

List – II

- 1. R.F. Kahn
- 2. T. Havelmo
- 3. John Muth
- 4. Milton Friedman

Codes :

a b c d

(A) 2 4 3 1

(B) 4 1 2 3

(C) 1 3 4 2

(D) 3 2 1 4

Answer: (B)

50. List – I

List – II

a. Theory of Probability

b. Mean

c. Normal Distribution

d. Sample

$M(\text{mean}) \pm 3\sigma(\text{sig}, \text{ma})$

1. Single value to represent distribution

2. Uncertain events

3. Mini replica of population

4. Symmetrical with almost total area with in

Codes :

a b c d

(A) 1 2 3 4

(B) 4 3 2 1

(C) 2 1 4 3

(D) 4 1 2 3

Answer: (C)