



# NWFP PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR THE POSTS OF  
PROVINCIAL MANAGEMENT SERVICE (BPS-17) 2008

ECONOMICS PAPER-I

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

Note: - Attempt any Five Questions. Please be brief and to the point. Support your answer through diagrams. Examples and verbal arguments:-  
All questions carry equal marks.

- Q.1 Analyse the process of Price-output decision under pure competition. What will be the shape of the long run supply curve in this market form?
- Q.2 Explain and illustrate diagrammatically the consumption, protection and revenue effects of an import tariff under particular equilibrium.
- Q.3 What are the conditions for consumer's equilibrium in ordinal Utility approach? Why does a consumer choose a combination of two goods when marginal rate of substitution equals the commodity price ratio?
- Q.4 Excess reserves make a bank less vulnerable to runs. Why, then don't bankers like to hold excess reserves? What circumstances might persuade them that would be advisable to hold excess reserves?
- Q.5 The quantity theory states that the impact of money on real GDP can be determined with details about the aggregate supply curve, so long as the velocity of money is predictable. Discuss the reasoning behind this claim.
- Q.6 Explain how the steepness of the short run aggregate supply curve affects the government's ability to use fiscal policy to change real GDP.
- Q.7 What is the "incidence" of a tax? Discuss the factors that determine the incidence of a Commodity tax.
- Q.8 Please examine the theory of demand management (Keynesian Theory) with supply side economics (Milton Friedman)