



PUNJAB PUBLIC SERVICE COMMISSION

**COMBINED COMPETITIVE EXAMINATION
FOR RECRUITMENT TO THE POSTS OF
PROVINCIAL MANAGEMENT SERVICE -2020**

SUBJECT: ECONOMICS (PAPER-II)

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE:

- All the parts (if any) of each Question must be attempted at one place instead of at different places.
- Write Q. No. in the Answer Book in accordance with Q. No. in the Q. Paper.
- No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
- Extra attempt of any question or any part of the question will not be considered.

Attempt any five questions in all. At least TWO questions from each section.

Attempt in English or Urdu.

SECTION-A (Macroeconomics)

- Q. No. 1 Explain Quantity Theory of Money (QTM) and discuss Fisher equation and Cambridge equation in this respect. Also analyze how money becomes neutral; is it short run or long run effect. Work out such implications for policy success. **(10+10=20 Marks)**
- Q. No. 2 Derive IS-LM (Algebraically and geometrically) and establish equilibrium of the economy. Point out whether it is full-employment. Also analyze how decrease in prices will lead to adjust the economy, show such impacts on employment, unemployment and output. **(10+10=20 Marks)**
- Q. No. 3 Develop Aggregate Demand and Aggregate Supply and establish equilibrium of the economy in the short run, intermediate run and long run. You must explain whether this adjustment (equilibrium) is under Keynesian or Classical framework. Also analyze under which school of thoughts (Keynesian or Classical) Aggregate supply curve will become vertical. **(10+10=20 Marks)**
- Q. No. 4 Write a short note on any two of the following. You must explain major economic features and their implications.
- Short run and long run Phillips Curves and their policy implications.
 - How Random Walk Model/ Hypothesis (Robert Hall) is based upon Permanent Income Hypothesis. Is it better explanation of consumption behavior?
 - Tax Multiplier and Simple Multiplier. Explain their policy implication.
- (10+10=20 Marks)**

SECTION-B

ECONOMICS OF PAKISTAN

- Q. No. 5 Agriculture is considered backbone of the Pakistan economy; explain four such most important arguments (empirical/theoretical). Also discuss productivity growth (not production) of this sector and suggest how it could be improved. **(10+10=20 Marks)**
- Q. No. 6 Analyze accumulation of foreign debt of Pakistan and discuss its sustainability. (*You must prove your point of view empirically and criteria for justification (s) i.e. for sustainability*). **(10+10=20 Marks)**
- Q. No. 7 Analyze current account and trade (foreign) account of Pakistan. How deficit or surplus of these accounts of Payments are adjusted so that Balance are equal to zero. **(10+10=20 Marks)**
- Q. No. 8 Analyze "Unemployment" and "Inflation" situation in Pakistan. Also evaluate the role of monetary and fiscal policies in this respect; to handle these issues. **(10+10=20 Marks)**