

HUL 211 Introduction to Economics: 8<sup>th</sup> May 2018  
Major Exam Maximum Marks: 40

Section A: Answer **\*all\*** questions.

1. A monopolist with a marginal cost greater than zero will always: (1 mark)
- a. make a profit after subtracting total costs from revenue
  - b. produce more than a competitive industry
  - c. have a price higher than the midpoint of the demand curve
  - d. be more efficient than a competitive industry

A monopolist faces the following price / quantity table, to be used in the next 2 questions. (Note: the demand curve will be:  $P = 40 - 2 * Q$ )

Price	Quantity	Revenue	MR	VC	Op. Profit
24	8	192	-	16	176
22	9	198	6	18	180
20	10	200	2	20	180
18	11	198	2	22	176
16	12	192	6	24	168

2. At a price of 20, total revenue will be: (1 mark)
- a. 192
  - b. 198
  - c. 200
  - d. 220
  - e. 250
3. As it moves from producing 10 units to producing 11 units, its marginal revenue will be: (1 mark)
- a. \$ 200
  - b. \$ 198
  - c. \$ 4
  - d. \$ 2
  - e. Negative
4. During the business cycle, the rate of inflation typically is highest (1 mark)
- a. Toward the beginning of the expansion
  - b. Toward the end of the expansion
  - c. During the contraction phase
  - d. At the bottom of the recession
5. An increase in oil prices, such as the oil shocks in the 70s, lead to \_\_\_\_\_ thereby causing \_\_\_\_\_ (1 mark)
- a. a movement along the AS curve; cost-push inflation
  - b. a leftward shift in the AS curve; demand-pull inflation
  - c. a rightward shift in the AS curve; cost-push inflation
  - d. a leftward shift in the AS curve; cost-push inflation
6. Gross national product (GNP) (1 mark)
- a. Will always exceed gross domestic product in a closed economy.
  - b. Will be higher in a private sector economy than in an economy where there is also a public sector that taxes the private sector.
  - c. Is always equal to the gross domestic product (GDP) of a country.
  - d. Will exceed gross domestic product if net factor income from abroad is positive.
7. A country's GDP is Rs 380 billion. Consumer expenditures are Rs 220 billion, government purchases are Rs 140 billion, and gross investment is Rs 120 billion. Calculate the net exports. (1 mark)
- a. Rs 100 billion
  - b. Rs 20 billion
  - c. -Rs 100 billion
  - d. -Rs 20 billion

$380 = 220 + 140 + 120 + NX$

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8. What is the difference between nominal and real GDP? Which among the two is a better measure of economic activity and why? (1 mark)
9. State True or False (0.5\*2=1 mark)  
 a) Without government intervention, negative externalities are borne directly by the producer of a good or service, so they diminish profit.  
 b) Ideally, a pollution compensation tax will exactly match the cost of a negative externality.
10. Fill in the blanks (1\*2=2 marks)  
 a. Reserve requirements that may be imposed on an economy's banks by its central bank specify that banks' reserves must be a minimum percentage of their assets.  
 b. An institution that sells shares to the public and uses the proceeds to buy a portfolio of stocks and bonds is known as MF.
11. Determine each of the following goods into appropriate category based on whether they are excludable and rival in consumption (0.5\*4=2 marks)  
 a) clothing  
 b) fish in the ocean  
 c) cable TV  
 d) tornado siren
12. The following events have their initial impact on which of the following: aggregate demand, short-run aggregate supply, long-run aggregate supply, or both short-run and long-run aggregate supply? Do the curves shift to the right or left? (0.5\*4=2 marks)  
 (a) The government repairs older roads and bridges.  
 (b) The government raises unemployment benefits, which raises the natural rate of unemployment.  
 (c) A technological advance takes place in the application of computers to the manufacture of steel.  
 (d) The government increases the minimum wage. JSE

Section B: Answer any **\*three\*** of the following questions

13. What can be the possible solutions to fixing the poor quality of education in public schools in India? Why do you think reliance on private schools may not be a quick fix to this problem? (3 marks)
14. What are some of the arguments made by Khera in favor of adopting technologies simpler than the Aadhar to achieve the goals of corruption control, inclusion and portability relating to welfare programs in India? Explain with examples. (3 marks)
15. What are some of the reasons that Dreze and Khera provide for the revival of PDS in Chhattisgarh? (3 marks)
16. Discuss the popular arguments given by the government regarding the poor implementation of MNREGA. Do you think they are justified? Explain your answer giving reasons. (3 marks) Excluded, natural.

Section C: Answer **\*all\*** the questions

17. Keeping in mind the Tendulkar poverty line, when implicit PDS subsidy is added to monthly per capita expenditure, how does poverty gap respond in rural areas? Explain all nuances that you observe with examples. (4 marks)
18. Why is BPL targeting of poor for welfare schemes unreliable and exclusionary? How does MNREGA enable the self-targeting of poor in contrast to employment allowance schemes? (4 marks)

Section D: Please do not use more than three sides of your answer script to answer this one (8 marks)

According to the Economic Survey (ES) 2017, is there a case for Universal Basic Income (UBI) in India at the moment and what does the proposed UBI look like? What is *wrong* with the proposal and the arguments given in the ES, in your view?

Women  
children  
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