Introduction to Economics (HUL 211a)
Question Type A: Total Marks: 20 Duration: 1 hour; Answer all questions

PART A: Questions 1 to 6 carry one mark each. Question 7 carries 2 marks

1. The following data are on India's GDP (at market prices) in 2012-13 (in billions of Rupees): GDP = 59816; Private sector investment = 17811; Exports = 14498; Imports = 19896; Government investment = 5087; Private sector consumption = 35695. What is government's consumption expenditure in 2012-13?

$GDP, I, (x-M)$
G_s

2. In 2011-12, country Z has a deficit in its current account and a surplus in its capital account. What could have happened to the foreign currency assets held by country Z in 2011-12 (increase, decrease, or something else)?

3. Which of the following is included in GDP estimates of India: (i) salary earned by a domestic helper (ii) income earned in smuggling; (iii) incomes earned by a street vendor?

4. According to Alice Amsden, industrialization in third-world countries is characterized by ------ of technologies (Options: innovation, invention, learning)

5. GDP at factor cost = GDP at market prices + ...

6. Ms. X, an Indian resident, worked in the US for three months in 2012-13, and she earned an income (in Indian Rupees) of Rs.2 lakhs for this foreign assignment. Mr.Y, a non-resident Indian citizen, has been working with a firm in Australia for the past three years. In 2012-13, Mr.Y sent an amount of Rs.3 lakh to his family's account in India. Which of the following statements about India's national accounts in 2012-13 are always true?
(A) India's GDP will include Ms. X's income from her foreign assignment, but not Mr. Y's foreign income (B) India's GNP will include both Ms. X's and Mr.Y's foreign incomes (C) Both A and B are true (D) Neither A nor B is true.

7. The following data are from India's Balance of payments in 2012-13 (in billion dollars): Export of goods = 306.6; Import of goods = 502.2; Net factor incomes from abroad = -21; Export of services = 145.7; Import of services = 80.8; Net Transfers, (private and official combined) from abroad = 2.5. Calculate India's Merchandise Trade balance, Invisibles trade balance, and current account balance for 2012-13.

PART B   , **6 marks each**

8. Do you think that the state needs to intervene to promote economic growth in a developing country like India, or should markets alone determine the pace and nature of economic growth in this country? Explain your answer.

9. Per capita income of an average Chinese citizen is much less than the per capita income of an average US citizen. However, savings flow from China to the US, and not the other way round. Explain in steps how this is possible using national income accounting relation on investment and savings in an open economy