



Indian Institute of Technology, Kharagpur

Date: _____ FN/AN Time 2 hrs Full Marks 30 No of Students: 398 (Approx)

Spring Mid-Sem. Exam, 2013 Subject: Economics Subject No: HS 20001

1. a) What do you mean by utility? How does Cardinal measure of utility differ from Ordinal measure of utility? Discuss the basic properties of indifference curve.

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- b) Discuss the determinants of demand. Suppose the demand curve for electricity for the time period 12 midnight to 6 AM is $P = 200 - 10Q_d$, where P is the unit price (in dollars) of electricity and Q_d is the quantity of electricity in million kilowatts. The supply curve is a horizontal line at $P = 100$ and the company supplying the electricity can generate only up to a capacity of 20 million kilowatts.

- i) What is the equilibrium quantity of electricity during the midnight to 6 AM period?

Suppose that, for the time period from 12 noon to 6 PM, the demand curve for electricity is $P = 250 - 5Q_d$.

- ii) What is the lowest price the company should charge to avoid an electricity shortage during the 12 noon to 6 PM time period (if shortage occurs when the demand exceeds 20 million kilowatts)?

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2. a) How is Keynesian approach to equilibrium income different from the Classical approach? In this context, discuss the properties of Keynesian consumption function with and without autonomous consumption and interpret. Prove how Keynesian savings function is a counterpart of his consumption function.

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- b) How is investment determined in Keynesian sense? Which approach between Keynesian and Classical better explains the current day crises?

It is estimated that with an initial capital investment of Rs 14000 Cr on retail sector of India in 2013, the companies together would generate annual prospective yields of Rs 4000 Cr in 2014, Rs 5400 Cr in 2015, Rs 6000 Cr in 2016 and Rs 7400 Cr in 2017. Estimate the marginal efficiency of capital (MEC) and suggest if the investment is worth-considering if the cost of borrowing capital is 8% per annum.

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3. Answer any two of the following:

5 × 2

- a) State the condition of India as a typical underdeveloped economy at the time of her independence, mentioning in detail the basic characteristics of underdevelopment.
- b) Is it true that efficient economic performance of a country requires a judicious and changing combination of control and competition? In this context argue critically whether a mixed economy is a better form of economic system blending the characteristics of both Capitalism and Socialism.
- c) Make a brief review of India's development experience under planning in the pre-reform era.
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