

Ans

Indian Institute of Technology Kharagpur

Date: _____ FN/AN

Time 2 hrs

Full Marks 30

No of Students: 401

Spring Mid-Sem. Exam, 2014

Subject: Economics

Subject No: HS 20001

1. a) Compare and contrast Cardinal measure of utility with Ordinal measure of utility? Define indifference curve and discuss the conditions of consumer's equilibrium. 2 + 1 + 2
- b) What do you mean by an Income Consumption curve and Engel curve? How is Income Consumption curve different from Price Consumption curve? Discuss the Slutskian approach to price change for increase in price of a normal good. 2 + 1 + 2
2. a) Explain the circular flow of income for an economy and illustrate the central problems associated with the circular flow. 3
- b) Discuss the Keynesian consumption function with the properties under the assumptions that there is (a) autonomous consumption and (b) there is no autonomous consumption. Which assumption justifies Keynesian proposition and how? Find its relevance in the context of the current global economic crisis and interpret. 4
- c) Following Keynesian rules, find out how the investment is determined? How is it different from the Classical approach? Justify the relevance of Keynesian proposition on investment for the Indian economy? 3
3. a) Critically discuss measures of Gross Domestic Product and its limitations. Differentiate between GDP at market price and GDP at factor cost. What do you mean by inventory investment? (3+1+1)
- b) What do you understand by sustainable development? How can you measure sustainable level of Net National Income? (4+1)
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