**The LNM Institute of Information Technology (Deemed University)**

First Mid Term Exam (2012-2016)

Economics-I: Macro Economics

**Max. Marks –** 20 **Time** – 1 hour

**Instructions –** All questions are compulsory and each question carries two marks.

1. Which of the following is an economic good or a free good?
2. Cars b. Sun light c. Houses d. T-shirts
3. Which of the following statements are examples of positive or normative economic analysis?

a. The indirect tax should be canceled because it is unfair.

b. Exporting onions outside India would cause onion prices to rise.

c. The priorities of the new government in the Afghanistan should be to rebuild schools and highways and to provide basic health care.

d. The Chinese economy now has lower population growth rate than India

3) Which of the following is an example of a macroeconomic concern or a microeconomic concern?

a. TATA motors is considering to increase the production of full-size sports utility vehicles (SUVs) based on projected future consumer demand.

b. Ministry of finance is considering the option of implementing a super rich tax as a means to generate more revenue and to cut the budget deficit.

c. The Reserve Bank of India announces it is increasing the rate of interest in an attempt to slow the rate of inflation.

d. The Ministry of Labour, India projects a 22.5 percent increase in the number of workers in the service sector from 2008 to 2018.

4) When China builds a dam using few machines and a great deal of labour, it is answering the\_\_\_\_\_\_\_\_ question.

1. how b. what c. where d. for whom

5) When the government chooses to use resources to build a school, these sources are no longer available to build a highway. This choice illustrates the concept of -

a. market mechanism b. fallacy of composition

c. opportunity cost. d. macroeconomics

6) An autoworker is considered \_\_\_\_\_\_\_\_ and earns \_\_\_\_\_\_\_\_.

a. labor; wages b. labour; rent c. capital; rent d. entrepreneurship; wages

7) Why the Indian economy cannot be described as a completely a market economy?

8) It is well documented in scientific research that smoking is harmful to our health. Smokers have higher incidences of coronary disease, cancer, and other catastrophic illnesses. Knowing this, about 30 percent of young people begin smoking and about 25 percent of the U.S. population smokes. Are the people who choose to smoke irrational?

9) Use economics to explain why diamonds are more expensive than water when water is necessary for survival and diamonds are not.

1. In election campaigns, candidates always seem to make more promises than they can fulfill: more and better health care; a better environment; better education; better roads, bridges, sewer systems, and water systems; and so on. Explain what economic concept is ignored by the candidates?