

HS202 Remote Mid Semester Exam

Question 1

Classical Economics:

- (i) Classical Economics had a narrow scope as it defined economics as the science that deals with only material wealth. It does not regard the contribution of those who produce non-material goods because their services did not relate to tangible goods.
- (ii) It laid more emphasis on wealth rather than human beings in economic life. Wealth was given primary role while human life was secondary which was strongly disagreed by the critics.
- (iii) It considered wage of labours as the only source of wealth to a nation. But according to critics, there are other sources of wealth too like natural resources, human resources etc.

Neo-Classical Economics

- i) It was mainly criticized by Lionel Robbins because of the distinction between material and non-material activities.
- (ii) Robbins criticized Marshall's definition and gave his definition in his book "An Essay on the Nature & Significance of Economic Science" in 1932.
- (iii) According to neo-classical economists, economics concerns only material welfare. But Robbins disagreed to it as the term welfare shouldn't be used along with material activities as many material activities are regarded as economic but they do not ~~provide~~ promote human welfare like sale of tobacco products, drugs and alcohol etc.

Question 2

Demand, ~~and supply~~ is economics, is the rate at which consumers want to buy a product. Economic theory holds that demand consists of two factors: taste and ability to buy. The Law of Demand states that if all other factors remain equal, the higher the price of a good, the lesser people will demand that good.

Supply is the willingness and ability of a producer to sell at various prices. The Law of Supply states that the higher the price of a good, the higher will be its quantity supplied.

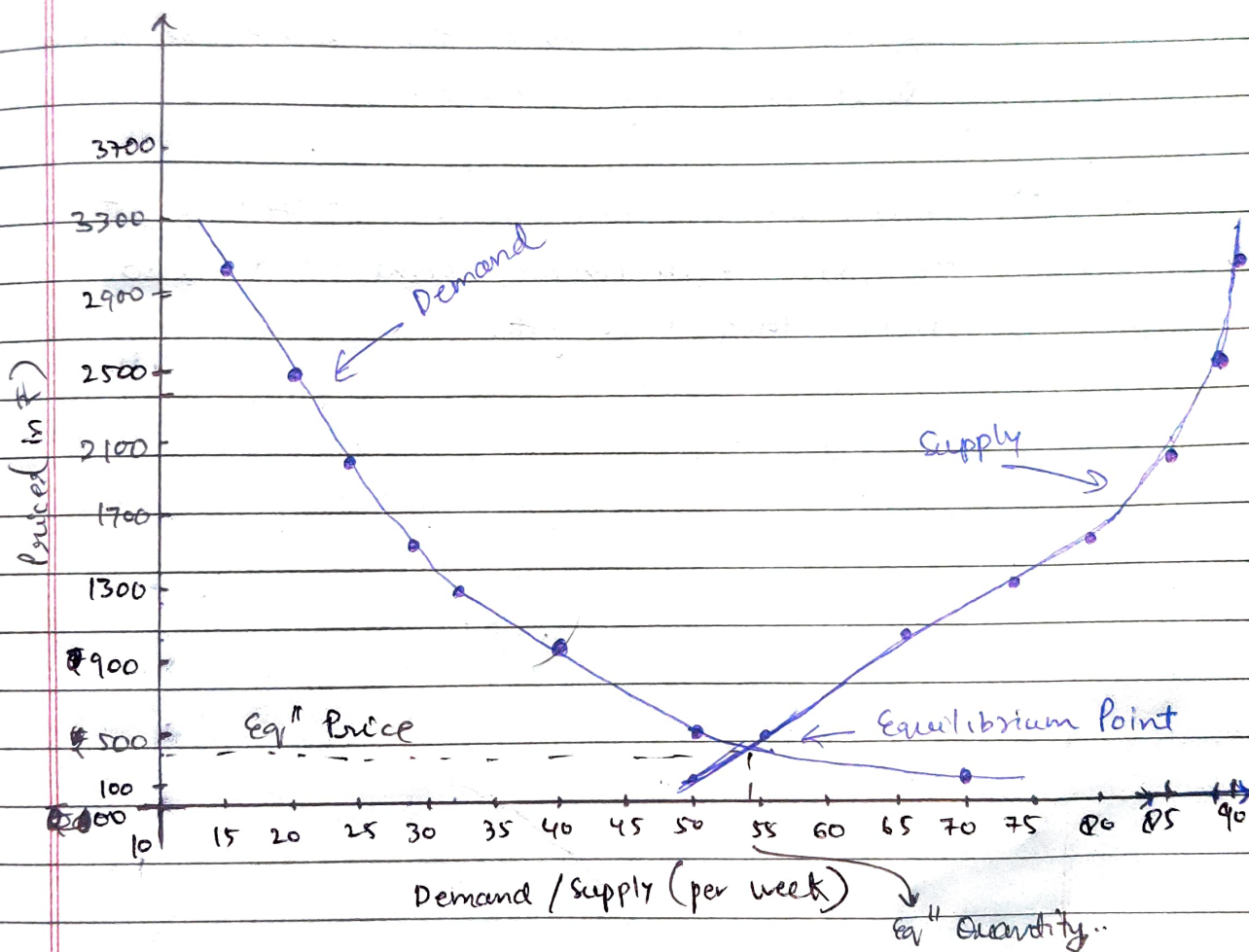
Let us look at a Demand and Supply table.

Price	Demand (/week)	Supply (/week)
₹ 100	70	50
₹ 500	50	55
₹ 1000	40	65
₹ 1200	32	75
₹ 1500	20	80
₹ 2000	24	85
₹ 2500	20	88
₹ 3000	15	90



The table depicts the demand and supply of different cosmetic products in the industry. Such a table is called as a schedule of Demand and supply.

Let us plot a graph of Demand vs Price



When supply and demand are equal i.e. when the supply function and demand function intersect, the economy is said to be at equilibrium.



→ If the income of the buyers increases, the buyers will ~~as~~ be able to buy ~~more~~ high priced products and hence demand will increase.

As demand will increase, the demand curve will shift towards right.

→ For high priced products, the supply is already high. Hence, there won't be much shift in supply curve.

→ Since, the demand curve shifted right, the new equilibrium point will also move towards right.