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## Indian Institute of Technology, Kharagpur

Date: \_\_\_\_\_ FN/AN Time 2 hrs Full Marks 30 No of Students: 225 (Approx)  
 Spring Mid-Sem. Exam, 2011 Subject: Economics Subject No: HS 20001

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Instruction: Answer any three questions

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1. a) What do you mean by Cardinal and Ordinal measures of utility? Discuss the basic assumptions of Ordinal measure of utility. Give details of the first and second order conditions of consumer equilibrium. 1 + 2 + 1.5
- b) If the utility function of a consumer is  $U = X^{1.5}Y$ , prices of good X and Y are Rs.3 and Rs.4 respectively, and his weekly budget is Rs.100, determine the optimum allocation of expenditure for the consumer? 1.5
- c) Explain income and substitution effects of price change? Following Slutsky's approach for increase in price of a commodity, discuss income and substitution effects of price change. 2 + 2
2. a) Give details of the determinants of market demand. Discuss market equilibrium under dynamic condition. 2 + 3
- b) Define price, income, and cross elasticity of demand? Calculate the income-elasticity of demand for X when the demand function is
 
$$X = \frac{2}{p_1} - 4p_2 + 5y^2, \text{ and } p_1 = 2, \quad p_2 = 0.25, \quad y = 100$$
 Is X an inferior/ normal or luxury commodity? 3 + 2
3. a) Make a critical review of India's development experience under a mixed economic setup. 5
- b) Define globalization and discuss its impact on the development of Indian economy in the post-reform era. 5
4. Write notes on any four of the following. 2.5 × 4
  - i) Distinguishing features of Capitalism and Socialism
  - ii) Characteristics of Underdevelopment
  - iii) Mohalanobis Strategy
  - iv) Industrial Policy Resolutions
  - v) Difference between Balance of Trade (BOT) and Balance of Payments (BOP)

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