

International Institute of Information Technology
HS5.202- Introduction to Economics
Monsoon 2023
Final Exam

Time: 180 minutes

Marks: 40

Answer the following questions within 500-700 words each. Ideally you should need much less than the allotted time, so don't feel awkward if you finish early!

1. a) What is the basic intuitive idea behind the Phillips curve trade-off? *full employment* 12
b) How does the introduction of workers' expectations change the nature of this trade-off? 28 (3+7)
2. a) True, False or Uncertain: All Giffen goods need not be inferior. 26
b) Explain the backward bending labour supply curve. 24 (4+6)
3. a) Distinguish between returns to a factor of production and returns to scale in production *short run* *long run* 12
b) Will the competitive firm be producing output if its average cost is not covered by the price? 28 (3+7)
4. a) Explain the Cournot duopoly solution as a Nash Equilibrium. *pretty silly* 25
b) What is the difference between absolute advantage and comparative advantage in the context of trade between countries? *colonial!* *example.* 12 (7+3)