

NATIONAL LAW UNIVERSITY, JODHPUR  
End Term Examination August-December - 2025  
Semester: UG III

Subject: Economics I (General principles of Microeconomics)

Time: Three Hours

Marks: 100

**Instructions:**

1. Attempt any FIVE Questions.
2. Non-scientific calculators are allowed
3. All questions carry equal marks

Q.1) a) Investment for future consumption (pizza ovens and concert halls) requires sacrificing current consumption (pizzas and concerts). Construct the relevant graph and explain the reasons for this sacrifice. Also show following situations - three countries start out even from this same curve but have different investment rates. Country 1 does not invest for the future at all, country 2 abstain modestly from current consumption and invests, country 3 sacrifices a great deal of current consumption and invests heavily. In the coming years countries that invest more heavily move ahead.

b) Explain how public goods, private goods, club goods and common resources grouped for an economy. Which good is associated with the free-rider problem and how that problem can be solved?

(Marks 10+10 = 20)

Q.2 a) 'Next to Bombing, rent control seems in many cases to be the most efficient techniques so far known for destroying cities' - Assar Lindbeck, Swedish Economist, 1971. How would you explain the above statement in reference to the financial capital of India, Mumbai and why working through the market is sometimes a better solution, explain with the help of graph?

b) An individual consumer's monthly demand with respect to own price, income and related good is given by the following equation:

$$Q_{dx} = 5 - 0.5P_x + 0.005I + 0.25P_r$$

Where:

$Q_{dx}$  = Quantity of good x

$P_x$  = own price

I = estimated household monthly income

$P_r$  = price of related good

The own price is Rs. 10, that of related good is Rs. 20, and the estimated household income is Rs. 2,000, calculate the price, income and cross elasticity of demand for the good with interpretation of the result.

(Marks 12+8=20)

Q.3) a) A benevolent social planner wants to maximize economic well-being of the society by focussing on total surplus. What is the best policy of doing this, by intervening in the market or by leaving the market on its own, elucidate?

b) Derive demand curve from Indifference curve analysis.

(Marks 14+6=20)

Q.4 a) Suppose the market of milk begins in a long-run equilibrium in a perfect competitive market. How a sudden outbreak of lumpy disease in the cattle disturbs the market? Explain the series of changes in the market by constructing graphs.

b) How can a pharmaceutical drug take on monopoly as well as competitive market both and still does not lose the hold over the market?

(Marks 12+8 = 20)

Q.5) a) A textile mill is dumping poisonous chemicals into the water supply. In what circumstances Coase Theorem provides the best solutions and what measures are preferred by the government?

b) Distinguish between Increasing and Decreasing Returns to Scale.

(Marks 12+8 =20)

Q.6) Write short notes on any two of the following:

a) Feminist Economics and Economic Development

b) Herfindahl-Hirschman Index and Concentration Ratio

c) Optimal use of the variable input

d) Price Discrimination

(Marks 10+10 = 20)