

NATIONAL LAW UNIVERSITY, JODHPUR

Midterm Examination - 2023

Semester: UG II

Subject: Economics -I

(General Principles of Microeconomics)

Time: One hour Thirty Minutes

Marks: 50

- Instructions: 1. Non-scientific calculators are allowed
2. No clarifications shall be sought during examination

Q.1 (a) "Economics as a positive science should be neutral between ends." Discuss

(b) Two countries X and Y start out on the same Production Possibility boundary (PPB) with different investment rates. Suppose country X abstains modestly from consumption and invest little; whereas country Y sacrifice a great deal of current consumption and invests heavily. Which country will experience more growth in the future? Why? (Marks 8+7=15)

Q.2) (a) Calculate cross elasticity of demand between hot dogs (X) and mustard (Y), for the following table:

Commodity	Before		After	
	Price (₹ /unit)	Quantity (units/month)	Price (₹ /unit)	Quantity (units/month)
Mustard (Y)	1.50	10	2	9
Hot dogs (X)	1.00	15	1.00	12

How X and Y are related to each other? Also state the ceteris paribus assumption in finding the cross elasticity.

(b) Consider the following events: The year 2023 has been declared by the United Nations as the International Year of the Millet. Millets are a powerhouse of nutrients and that research had shown that they are good defence in the fight against diabetes. At the same time, heavy rain destroys the millet crops. Illustrate and explain what effect these changes have on the equilibrium price and equilibrium quantity of millets. (Marks 5+5=10)

Q3) (a) Examine the effect of minimum wage laws on the market outcomes.

(b) The world would actually come to halt if oil was not available. Therefore, it is essential for the economic life of any nation. Our factory, machines and home cannot function without it. Yet a quart of oil is cheaper than a ticket to the T -20 cricket match. How can oil be so precious and yet so cheap. Resolve this oil- cricket match paradox. (Marks 5+5=10)

Q4. (a) If the market demand for agricultural commodities is price inelastic, would a bad harvest lead to an increase or a decrease in the incomes of farmers as a group? Why?

(b) How elasticity of demand, price and marginal revenue are related to each other? (Marks 8+7=15)



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Re-Midterm Examination - 2023

Semester: UG II

Subject: Economics -I

(General Principles of Microeconomics)

Time: One hour Thirty Minutes

Marks: 50

- Instructions:** 1. *Non-scientific calculators are allowed*
2. *No clarifications shall be sought during examination*

Q.1 (a) The task of an economist is not to praise and condemn but to analyze the economic outcomes. Elucidate this statement.

(b) Suppose there are two factors of production –natural resources and labour which can be used to produce two goods - petrol and concert with given technology. Now what would happen to the production possibility curve over time if all the natural resources are exhausted.

(Marks 6+6=12)

Q.2) (a) Calculate price elasticity of demand for commodity X between point A and B from the following table:

Point	P_x	Q_x
A	6.10	32,180
B	5.70	41,230

(b) Using demand and supply diagram analyse the following markets:

(i) The economic downturn has led to more people staying home to watch movies, rather than go to a movie theater. Show how this change in behavior affects the market for microwave popcorn.

(ii) Suppose that drought conditions in agricultural regions increase the costs of irrigation. How would this affect the market for fruits and vegetables?

(Marks 4+6=10)

Q.3) (a) How OPEC succeeded in maintaining a high price of oil in the short run but their coordinated reduction in supply proved less profitable in the long run?

(b) Derive law of demand using cardinal approach.

(Marks 6+6=12)

Q4. (a) Economic relationships are complex, involving different variables, it is easy to get confused about the exact reason behind events or the impact of policies on the economy. In light of the given statement explain the fallacy which involves the inference of causality with an example.

(b) Should a producer, facing negatively sloped demand curve for the commodity sold, operate in the inelastic region of the demand curve? Why? Explain by establishing the relation between price elasticity of demand, average revenue and marginal revenue?

(Marks 6+10=16)

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End Term Examination- April -May 2023

Semester: U.G II

ECONOMICS I- GENERAL PRINCIPLES OF MICROECONOMICS

MM: 100

Time: 3 Hours

Instructions:

1. Attempt any Five Questions out of six.
2. All questions carry equal marks.
3. Non-scientific Calculators are allowed.
4. Follow Examination Hall Protocol

Q.1). (a) How far is it correct to say that Robbins definition limits the scope of Economics?

(b) Consider the production possibility curve (PPC) for peanut butter (good X) and orange (Good Y). What does movement along the curve and a point inside frontier represent? How technical progress would affect the quantity of both the goods?

(c) The goal of rent control policy is to help the poor by making housing more affordable. But economists consider rent control as a way to destroy a city, other than bombing? Why?

(Marks 5+7+8=20)

Q.2). (a) Suppose that over a period of six months, the price of corn increases, yet the quantity of corn sold by producers decreased. Does this contradict the law of supply? Explain.

(b) As the price of fresh apples decreased from \$ 1 to \$ 0.75 per basket, the number of bottles of apple juice purchased per week increased from 60 to 100. Define and calculate cross elasticity.

(c) In each of the following pairs of goods, identify the one that you would expect to have a greater price elasticity of demand. Briefly explain your answer (i) Orange juice in general versus Tropicana brand of orange juice and (ii) Butter versus margarine

(Marks 5+5+10=20)

Q.3). (a) Explain the equilibrium of consumer through indifference curve technique.

(b) Distinguish between income and substitution effect of fall in the price of a commodity with the help of indifference curve in case of a normal good.

Marks (10+10=20)

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Q.4) (a) If $MP_L = 12$, $P_L = \text{Rs } 8$, $MP_K = 6$ and $P_K = 2$. Is firm employing least cost combination of inputs? If not, what should the firm do?

(b) Derive Long run Average cost (LAC) from short run plant curves under traditional cost theory. What factors explains its saucer shape? Can we also explain different stages of returns to scale with the help of LAC? What does points along the learning curve and points on the lower learning curve represents?

Marks (5+15=20)

Q.5). (a) Under what conditions will a competitive firm shut down temporarily and will exit the market permanently?

(b) Can you consider the Indian restaurant market as a monopolistic competition? If yes, then justify. Is there any need to regulate this market?

(c) In a duopoly market, can Game theory provide solution by analysing competitive interaction between firms? Discuss.

(Marks 6+6+8=20)

Q.6) (a) Education is often described as a good which confers positive externality. Explain how education might generate positive external benefits. Also suggest a possible action the government might take to induce the market for education to perform efficiently.

(b) A chemical producer dumps toxic waste into a river. The waste product reduces the availability of fish, reducing profits for the local fishing industry by Rs 100,000 per year. The firm could eliminate the waste at a cost of Rs 60,000 per year. The local fishing industry consists of many small firms. Using Coase theorem, explain how costless bargaining will lead to a socially efficient outcome, irrespective of whether proper rights are owned by the chemical firm or the fishing industry. How would your answer change if the waste reduces the profits for the fishing industry by Rs 40,000?

(Marks 8+12=20)