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Date 14/03/22 Subject BEM-Macro Topic: Assignment-1 Teacher's Remarks

BEM Assignment 1

1) C. If the government raises output above the free market level, consumers will get no benefits from extra units of output.

2) C. The gap between S+tax and S will be Rs 5 at each quantity

3) C. Marginal revenue = Marginal Cost

4) C. Is rival and excludable.

5) C. Improved terms of trade for all countries.

6) A. Rise and real GDP will fall

7) C. No alteration to tariffs without negotiation with their trading partners

8) B. to reduce the influence of trade on consumer tastes.

9) D. Petrol consumption involves external social costs.

10) D. Nominal GDP uses current prices; real GDP uses constant prices.

11) C. the periodic fluctuations of output around the long run.

12) C. Net income from abroad.

13) D. Both A and C

14) C. Rs. 120 Cr.

15) D. Rs. 800 Cr.

16) C. Efficient management in production to increase profits

17) D. Zero net social Benefit

18) B. Only negative externality exists

19) B. Y = C + I + G

20) B. Taxes

21) B. 606 Billion

22) C. 542 Billion

23) D. 621 Billion

24) C. 556 Billion

25) D. Large population

26) B. GDP at constant prices for 2021 is estimated with the base year as 2010 – ~~20~~11.

27) C. Country X has a comparative advantage in the production of mobiles.

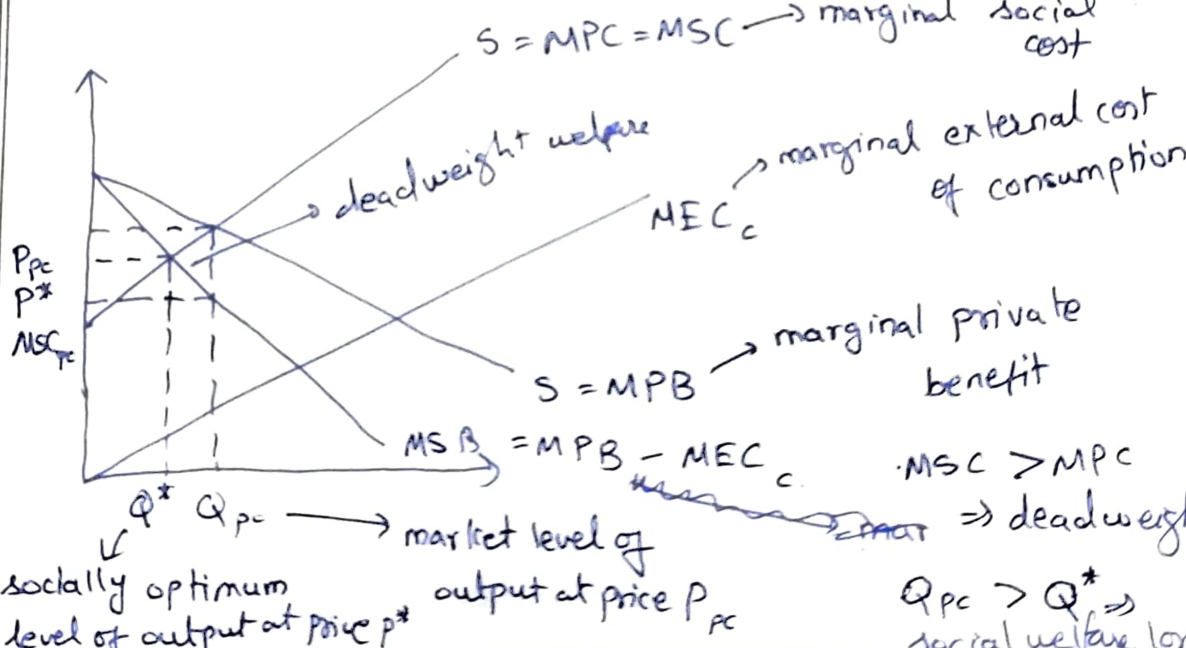
28) D. 280 million.

29) a) = 24000 + 10000 + 28000 + 9000 – 1800
= ~~68,900 Cr~~ 69,200 Cr

b) = ~~62000 + [68900 – 9000 + 1800] + [–300] + 9000 – 1800~~ 69200 – 1700
= ~~68,900 Cr~~ 67,500 Cr

c) = [69200 – 9000 + 1800] + [–300] + 9000 – 1800
= 68,900 Cr

30)



MSC > MPC ⇒ deadweight loss

$Q_{pc} > Q^*$ ⇒ social welfare loss

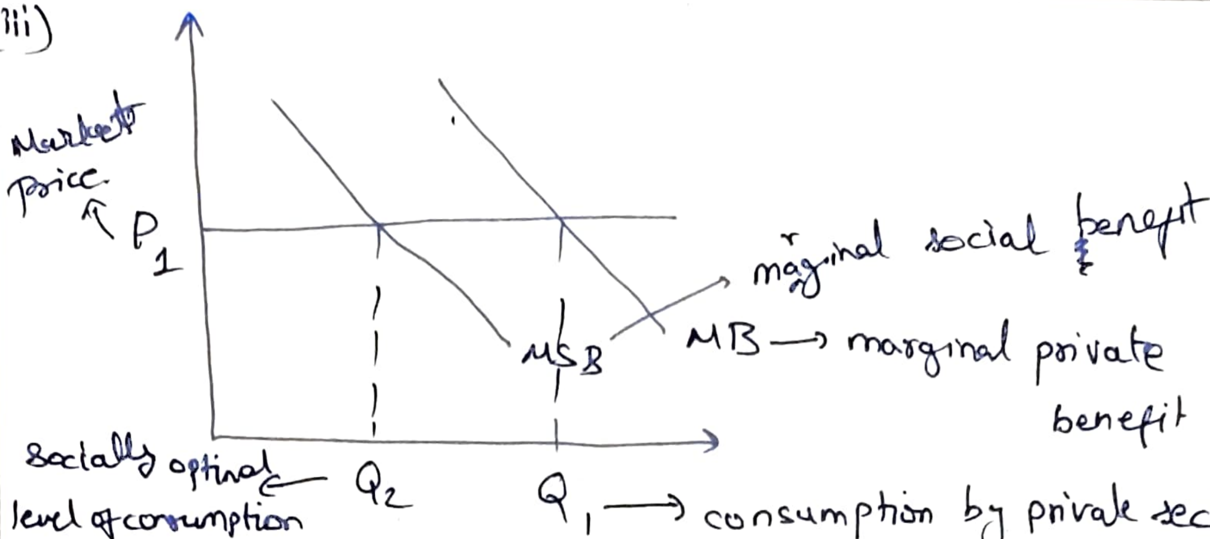
Plastic causes pollution & so has social cost. People use plastic for convineance. therefore MPC ≠ MSC. Animals may die due to consumption of disposed plastic. thereby creating marginal external cost which may be incurred to ~~keep~~ protect animals from plastic consumption. thus ~~AAB~~ MSB < MPB. At socially optimal equilibrium at output Q*, MSB = MSC. From society point of view, too many plastic bags will increase deadweight loss caused by overconsumption (triangle in the graph).

31) the short-run aggregate supply curve is a graphical representation of SRAS against price level. Its is an upward sloping curve because if people are willing to buy at higher prices, then companies will make more goods increasing supply & vice-versa.

32) i) When production/consumption impose external costs on third parties outside of the market for which no appropirate compensation is paid causing social costs to exceed private costs. People may smoke in public places causing harm to the health of individuals nearby through passive smoking. In young ladies, this may cause pre-mature child birth & asthama.

ii) ~~G~~ Price related interventions:- 1) Imposing tax on producing cigarettes, 2) fines on public smoking, ~~3)~~ ~~smoking~~ Non-price related interventions:- 1) banning smoking in public places, 2) Use of ads to create awareness about ill effects of smoking, 3) a law prohibiting smoking production

(iii)



33) Actual economic growth is affected by demand side of growth (affected by changes in demand in an economy). Potential growth deals with supply side of the economy. It is the increase in productive capacity.

34) Income measure: measures the total factor earnings. Transfer payments are not included.

Output measure: measures value of goods & services produced.

Expenditure method: includes all expenditure in the economy & also what would have to be spent to purchase increases in inventories.

In practice, difficulties of measurement & collection of data mean that the three measures will not be equal.