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28/11/2023  
(A) (148)

NATIONAL INSTITUTE OF TECHNOLOGY, HAMIRPUR (H.P)  
Final Examination (B.Tech 5<sup>th</sup> Semester, November 2023)

Subject: Economic Theory  
Time: 3 hours

Course no. HS-371  
Max. Marks: 50

Note: All the questions are compulsory. Answers must be comprehensive and supported with suitable examples.

- Q. No. 1. Explain the concept of Externalities and Coase Theorem with examples. (6)  
Also explain the presence of Externalities under Monopoly and Perfect Competition?
- Q. No. 2. Explain the concept of Asymmetric Information and how the problem of adverse selection can be eliminated. Describe the problem of Moral Hazard and how will it lead to market failure. (8)
- Q. No. 3. A. Explain various functions and measures of Money supply in India. (6)  
Also, explain the instruments of monetary policy to control the inflation and money supply.
- B. What do you mean by the term Inflation? Explain Demand pull and Cost push Inflation in detail. (6)
- Q. No. 4. A. Explain the concept of Unemployment and describe Frictional and Structural unemployment with the help of suitable examples. (6)
- B. Explain the concept of Natural Rate of Unemployment with the help of suitable diagrams. Also Computing the unemployment rate for the month of July 2023 for Country X based on the following information: (6)
- Labor force: 145.00 million
  - Employed: 130.00 million
  - Unemployed: 8.95 million
- Q. No. 5. A. Explain in detail the monetarist and Keynesian debate on macro theory and policy with special emphasis on the causes of depression and economic Stability. (6)
- B. Mention the major elements of new classical macroeconomics. Elaborate the theory of Rational Expectations and its implications. (6)