

MEC

**MASTER OF ARTS
(ECONOMICS)**

ASSIGNMENTS 2012-13
First Year Courses
(For July 2012 and January 2013 Sessions)



School of Social Sciences
Indira Gandhi National Open University
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Master of Arts (Economics)

Assignments (2012-13)

Dear Student,

As explained in the Programme Guide for MEC, assignments carry 30 per cent weightage in a course and it is mandatory that you have to secure at least 40 per cent marks in assignments to complete a course successfully. Note that you will not be eligible to appear in the Term End Examination of a course until you submit the assignment of that course.

Before attempting the assignments please read the instructions provided in the Programme Guide sent to you separately. There are five compulsory courses in the first year. In each course there is a Tutor Marked Assignment (TMA). You have to prepare and submit the assignments separately for each course. Make sure that you submit the assignments well in time for those courses in which you plan to appear in the Term End Examination.

Revised Course MEC 105

From July 2012 onwards we are offering the revised course MEC 105: Indian Economic Policy in place of MEC 005. Thus you are supposed to go through the revised study material for MEC-105, not the older version MEC-005. July 2012 and January 2013 batch students are required to do the assignment MEC-105 while older batch students are required to do MEC-005.

Submission

For July 2012 session, you need to submit the assignments by March 31, 2013, and for January 2013 session by September 30, 2013. Assignments should be submitted to the Coordinator of your Study Centre. Obtain a receipt from the Study Centre towards submission.

MEC-001: MICROECONOMIC ANALYSIS

Assignment

Course Code: MEC-001

Assignment Code: MEC-001/TMA/2012-13

Marks: 100

Note: Answer all the questions. While questions in Section A carry 20 marks each (to be answered in about 500 words each) those in Section B carry 12 marks each (to be answered in about 300 words each). In the case of numerical questions word limits do not apply.

Section A

- 1) Explain the concept of dominant strategy equilibrium. Discuss the concept of Nash equilibrium. Is every dominant strategy equilibrium a Nash equilibrium? What do you understand by subgame-perfect equilibrium?
- 2) What is indirect utility function? Given a direct utility function, how will you derive the indirect utility function? Explain Roy's identity.

Section B

- 3) Derive the elasticity of substitution for the Cobb-Douglas production function $q = f(K, L) = AK^a L^{1-a}$
- 4) What is meant by externalities? How can the problem of externalities be solved? Explain the Coase's Theorem.
- 5) Explain Arrow's Impossibility Theorem, giving the various assumptions.
- 6) What is meant by asymmetric information? In what way does the presence of asymmetric information lead to a departure from the usual competitive equilibrium? Explain the relation among moral hazard, adverse selection and signaling, giving suitable examples.
- 7) What do you understand by actuarially fair insurance? Do you agree with the proposition that a risk-averse person will optimally buy full insurance if the insurance is actuarially fair? Give reasons in support of your answer.

MEC-002: MACROECONOMIC ANALYSIS
Assignment

Course Code: MEC-002
Assignment Code: MEC-002/TMA/2012-13
Marks: 100

Note: Answer all the questions. While questions in Section A carry 20 marks each (to be answered in about 500 words each) those in Section B carry 12 marks each (to be answered in about 300 words each). In the case of numerical questions word limits do not apply.

Section A

- 1) Explain the concept of steady state growth in the Solow model with appropriate diagram. Show that the golden rule of Phelps is not a steady state.
- 2) Distinguish between adaptive expectations and rational expectations. Explain why the shape of the Phillips curve changes when we introduce expectations in our analysis.

Section B

- 3) Policy rules are better than discretionary policies. Justify the above statement in light of new classical macroeconomics.
- 4) Explain in brief the salient features of political business cycle theory.
- 5) Bring out the factors that lead to rigidity in wages and prices.
- 6) Explain with appropriate diagrams why an economy with fixed exchange rate cannot pursue an independent monetary policy.
- 7) Write short notes on the following
 - a) Inter-temporal utility maximization
 - b) Real business cycle theory

MEC-003: QUANTITATIVE METHODS
Assignment

Course Code: MEC-003
Assignment Code: MEC-003/TMA/2012-13
Marks: 100

Note: Answer all the questions. While questions in Section A carry 20 marks each (to be answered in about 500 words each) those in Section B carry 12 marks each (to be answered in about 300 words each). In the case of numerical questions word limits do not apply.

Section A

- 1) What is a differential equation? How do you apply differential equations in Economics? Discuss the role of initial condition in solving a differential equation. If your objective is to examine the stability of equilibrium, show with the help of an example, how a second-order differential equation can address your concern.
- 2) What is the Poisson distribution? Does it have a probability density function? Why or why not? Discuss your answer in the context of the mean and variance of Poisson distribution. Give examples of the problems where you can make use of Poisson distribution.

Section B

- 3) Explain the relevant considerations of making a choice between one-tailed and two-tailed tests. How would you determine the level of significance in the above tests?
- 4) A linear programming problem is given as
Max $z = 30x_1 + 50x_2$,
Subject to
 $x_1 + x_2 \geq 9$
 $x_1 + 2x_2 \geq 12$
 $x_1 \geq 0, x_2 \geq 0$
Find its optimal solution.
- 5) How would you determine linear dependence of a matrix? Define the rank of a matrix in terms of its linear independence.
- 6) The correlation coefficient between nasal length and stature for a group of 20 Indian adult males was found to be 0.203. Test whether there is any correlation between the characteristics in the population
- 7) Write short notes on the following:
 - a) Eigenvectors and eigen values
 - b) Taylor's expansion
 - c) Mixed strategy equilibrium
 - d) Kuhn-Tucker condition

MEC-004: ECONOMICS OF GROWTH AND DEVELOPMENT
Assignment

Course Code: MEC-004
Assignment Code: MEC-004/TMA/2012-13
Maximum Marks: 100

Note: Answer all the questions. While questions in Section A carry 20 marks each (to be answered in about 500 words each) those in Section B carry 12 marks each (to be answered in about 300 words each). In the case of numerical questions word limits do not apply.

Section A

- 1) Distinguish between economic growth and economic development. Briefly explain the major indicators on which economic development can be measured?
- 2) Discuss the concept of golden age equilibrium in Joan Robinson's model. What are its main criticisms?

Section B

- 3) Explain any three of the following
 - a) The real business cycle model
 - b) Tragedy of the commons
 - c) Endogenous growth
 - d) Balanced vs. Unbalanced growth
- 4) Explain the concept and implications of globalization. Discuss its advantages and shortcomings.
- 5) What are the properties that a suitable measure of income inequality should possess? Evaluate Lorenz curve and the Gini coefficient as these concepts.
- 6) Can we consider planning as an instrument of resource allocation? Why is there a need for planning in the development process?
- 7) Differentiate between
 - a) Embodied technical progress and Disembodied technical progress
 - b) Harrod neutrality and Hicks neutrality
 - c) Capital augmenting and capital deepening.

MEC-105: INDIAN ECONOMIC POLICY

Assignment (TMA)

Course Code: MEC-105

Assignment Code: MEC-105/TMA/2012-13

Maximum Marks: 100

Note: Answer all the questions. While questions in Section A carry 20 marks each (to be answered in about 700 words each) those in Section B carry 12 marks each (to be answered in about 500 words each).

Section A

- 1) What do you mean by the term monetary policy framework? Examine the effectiveness of various monetary policy instruments resorted by the RBI to achieve various objectives of monetary policy.
- 2) Explain the major issue of concern Indian agriculture is confronted with. Point out the major steps required to meet these challenges.

Section B

- 3) State the importance of structural composition of GDP of an economy. Bring out the important changes in the composition of GDP of India that have taken place over the last six decades.
- 4) Do you agree with the view that the relation between population and economic development is a two-way relationship? Give reasons in support of your answer.
- 5) What do you mean by the term poverty? Examine the policy implications of widespread poverty and inequality in the Indian economy.
- 6) Do you agree that trade policy is an important policy instrument to take up issues such as labour and environment standards? Substantiate your answer.
- 7) State the characteristics of good governance? To what extent are the characteristics of good governance adhered to in the implantation of economic policies in India?

MEC-005: INDIAN ECONOMIC POLICY
Assignment
(For students admitted in January 2012 or earlier)

Course Code: MEC-005
Assignment Code: MEC-005/TMA/2012-13
Marks: 100

Note: Answer all the questions. While questions in Section A carry 20 marks each (to be answered in about 700 words each) those in Section B carry 12 marks each (to be answered in about 500 words each).

Section A

- 1)
 - a) How is the inequality of income measured in an economy?
 - b) Examine the levels of inequality in India. Explain the policy implications of the prevailing levels of inequality in India.

- 2)
 - a) Distinguish between foreign direct investment (FDI) and portfolio investment as sources of private foreign capital.
 - b) Evaluate the Government of India's policy towards foreign capital. State the major reasons for slowing down in the inflow of foreign capital as experienced in recent times.

Section B

- 3) Critically examine the effects of economic reforms on employment and poverty reduction in post - reforms period.
- 4) Identify the important factors which have contributed to the growth rate of production in agriculture.
- 5) Critically examine the overall performance and contribution of small scale industry in terms of its growth, employment, production and exports.
- 6) "The fiscal position of the state governments has been under stress since the mid-1980s". Comment.
- 7) Explain any three of the following:
 - a) The effects of black economy
 - b) Fiscal deficit in India
 - c) Monetary transmission mechanism
 - d) Public private partnership
 - e) Problems associated with privatization