**Economic Theory**

**JUL/AUG 2021**

**Assignment- Ist**

**1. Discuss the law of equi marginal utility with suitable examples.**

**Ans.** Law of Equi-Marginal Utility explains the relation between the consumption of two or more products and what combination of consumption these products will give optimum satisfaction. Marginal Utility is the additional satisfaction gained by consuming one more unit of a commodity.

**Law of Equi-Marginal Utility**

This law is based on the principle of Its Half solved only

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**2. Enumerate total cost, average cost and marginal cost and the relationship that exists amongst them.**

**Ans.** Basically, we are focusing on two relationships:1. Relation between Average Cost and Marginal Cost, and 2. Relation between Total Cost and Marginal Cost.

**Details are as under:**

#### 1. Relation between Average Cost and Marginal Cost:

Relation between average cost and marginal cost is explained through Table 8 and Fig. 9.

**3. What is meant by equilibrium of the industry? Also discuss price determination under monopolistic competition.**

**Ans.** **Equilibrium of the Industry: Short-Run and Long-Run Equilibrium:-**

Since the price of a product under perfect competition is determined by the intersection of the demand and supply curves of the product of an industry, we need to know the nature and shape of the supply curve of a product under perfect competition. We shall now explain how the supply curve of a product under condition of perfect competi­tion is derived and the shape it takes both in the short run

**Assignment- IInd**

**4. Elucidate the importance of subsistence theory of wage determination along with the criticism of the theory.**

**Ans.** **The following points highlight the top six theories of wages. The theories are:**

**1. The Subsistence Theory of Wages**

**2. Standard of Living Theory.**

#### ****Theory 1. The Subsistence Theory of Wages:****

The theory was formulated by physiocrats. According to them wages would be equal to the amount

**5. What is meant by national aggregates? Differentiate personal income and disposable income as components of national aggregates.**

**Ans.** Gross National Product at Market Price: Referred to as the market value of all the final goods and services produced by normal residents (in the domestic territory and abroad) of a country during an accounting year.

National income is referred to as the net money value of all the final goods and services that are produced by the residents living within the boundary of the country within an accounting year.

The following

**6. "The interaction of aggregate demand and aggregate supply functions determines the equilibrium level of output and employment." Discuss.**

### Ans. Aggregate Supply and Aggregate Demand

Aggregate supply is the total supply of goods and services that firms in a national economy plan on selling during a specific time period. It is the total amount of goods and services that firms are willing to sell at a specific price level in an economy..

Aggregate demand is the total demand for final goods and services in an economy at a given time and price leve