Indian Statistical Institute, Bangalore

B. Math (Hons.) Third Year

Economics II: Themes in Development Theory and Policy

Mid-term Exam   Date: Feb 22, 2024

Maximum marks: 30   Duration: 3 hours

Section A: One-mark questions (Attempt all)

1. Which one of the following represents the concept of human capital?

   a. Total population.

   b. Skilled workers.

   c. Human resources gainfully employed in productive activities.

   d. All of the above.

2. In the context of the Lewis Model, which of the following statements best describes the supply of labor?

   a. The supply of labor is perfectly elastic at the subsistence wage in the traditional sector.

   b. The supply of labor is perfectly inelastic in the modern sector.

   c. The supply of labor decreases as wages increase in the traditional sector.

   d. The supply of labor is determined by the wage rate in the modern sector.

3. In the context of the False Paradigm Model, which of the following statements is correct?

   a. The model suggests that developing countries should follow the same path of development as developed countries.

   b. The model argues that development strategies are often based on a misunderstanding of the realities in developing countries.

   c. The model proposes that there is an unlimited supply of labor in the traditional sector.

   d. The model asserts that all economies will naturally progress from traditional to modern sectors.

4. The World Bank in 2011 prices, classifies low-income countries with GNI per capita as:

   a.   <$1500

   b.   <$500

5. The concept of Purchasing Power Parity (PPP) is primarily used for which of the following?

   a. Comparing the economic output of different countries.

   b. Determining the exchange rate between two currencies.

   c. Measuring the inflation rate in a country.

   d. Calculating the interest rate in a country.

6. Which of the following best describes the concept of Absolute Poverty?

   a. Absolute poverty is defined relative to the economic status of other members of the society.

b. Absolute poverty refers to a condition where a person's income does not allow him/her to acquire the basic needs for a healthy life.

c. Absolute poverty is a measure of relative poverty adjusted for inflation and cost of living indices.

7. Complete the sentence using the following options:

In the context of economic growth, the term _____ refers to the hypothesis that poorer economies will grow faster than wealthier ones, leading to a closing gap in terms of per capita income. On the other hand, _____ refers to the scenario where the gap in per capita income between rich and poor economies widens over time.

a. Convergence, Divergence

b. Divergence, Convergence

8. Define the underdevelopment trap?

9. What does the concept of center-periphery in the Neo-colonial Dependence model refer to:

   a. Low income and middle income countries

   b. Middle income and high income countries

   c. South-east Asian and western countries

   d. All of the above.

10. Amartya Sen's Capability Approach argues that development should focus on:

   a. Increasing national income per capita

   b. Expanding individual freedoms and capabilities

   c. Reducing income inequality through wealth redistribution

   d. All of the above.

Section B: Three-mark questions (Attempt any four)

1. What are the three core values of development?

2. Describe three Sustainable Development Goals.

3. State the Harrod-Domar equation fully. Using the same equation, compute this question. A less developed country has a capital-output ratio of 6 and savings rate of 18%. If current GDP is $2500, what will its GDP be next year?

4. State three criticisms of the Lewis model. Explain with a diagram.

5. The table shows the relationship between employment and share of GDP (in per cent) in agriculture, industry and services for two countries in the current period. Describe the differences between India and China.

Countries	Agriculture		Industry		Services	
	Employment	GDP	Employment	GDP	Employment	GDP
India	44	18	25	28	31	54
China	24	7	29	38	47	55

Section C: Four-mark questions (Attempt any two)

1. How do low-income countries today differ from developed countries in their earlier stages of development? Briefly explain any four aspects.

2. Mention three assumptions of the Big Push model. Give a basic graphical representation of the model.

3. The table below shows the components of the New Human Development Index along with the actual values of 2021-2022 for a few selected countries. Compute the New Human Development Index for India and interpret the new HDI value of India with that of Pakistan:

Countries	Life expectancy at birth (years)	Mean years of schooling (adults)	Expected years of schooling (children)	GNI per capita (PPP $)
India	67.2	6.7	11.9	6,590
Germany	80.6	14.1	17.0	54,534
China	78.2	14.2	7.6	17,504
Pakistan	66.1	8.7	4.5	4,624

Source: Human Development Report (2021)