

Indian Statistical Institute, Bangalore

B. Math. Third Year

Sixth Semester – Economics II

Mid-Semester Exam

Duration: 3 hours

Date: February 26, 2026

Total marks: 30

Section A: One-mark questions (Attempt all)

1. Who proposed the theory of unbalanced growth?
 - a. Ragnar Nurkse
 - b. Albert Hirschman
 - c. Paul Rosenstein Rodan
 - d. W. Arthur Lewis

2. Balanced Growth theory argues that the vicious circle of poverty can be broken by:
 - a. Export promotion alone
 - b. Agricultural subsidies
 - c. Simultaneous investment in complementary industries
 - d. Privatization

3. According to Hirschman, development is:
 - a. A smooth equilibrium process
 - b. Dependent solely on foreign aid
 - c. Linear and predictable
 - d. A chain of disequilibria

4. The False-Paradigm model attributes underdevelopment to:
 - a. Incorrect and inappropriate policy advice
 - b. Colonial exploitation alone
 - c. Cultural backwardness
 - d. Capital scarcity

5. Structural Adjustment Programs (SAPs) of the 1980s emphasised:
 - a. Nationalisation and planning
 - b. Protectionism
 - c. Liberalisation, privatization, and stabilization
 - d. Balanced growth

6. A country with high income but low education and health will:
 - a. Automatically rank high in Human Development Index (HDI)
 - b. Rank low in Gross Domestic Product (GDP) and HDI
 - c. Have identical GDP and HDI ranking
 - d. Rank high in GDP but not necessarily in HDI

7. Purchasing Power Parity (PPP) is used to:
 - a. Compare real living standards across countries
 - b. Compare inflation rates across countries
 - c. Measure exchange rate volatility
 - d. Track export competitiveness

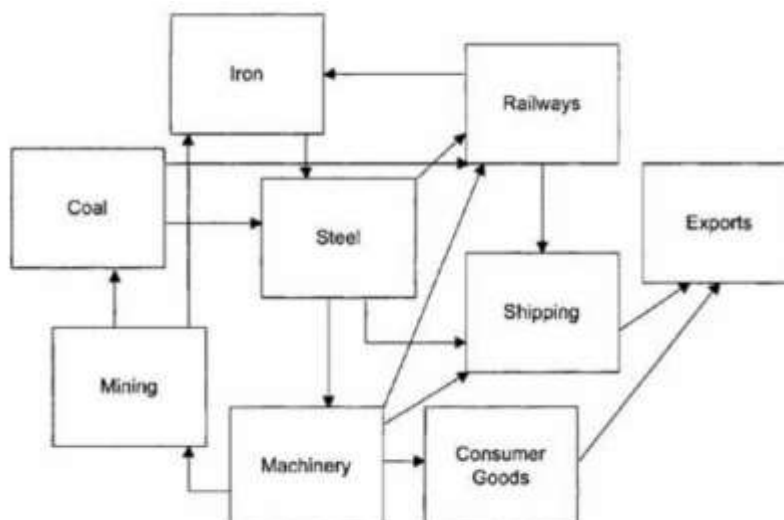
8. In the Big Push theory, indivisibility in the production function mainly refers to:
 - a. Labour immobility
 - b. Social overhead capital
 - c. Agricultural stagnation
 - d. Export pessimism

9. In Amartya Sen's theory, "functionings" refer to
 - a. Access to commodities
 - b. Income-generating activities
 - c. The various things a person may value doing or being (e.g., being healthy, being educated)
 - d. Production techniques

10. As per Ragnar Nurkse, what is the best way to expand the size of the market?
 - a. Increasing productivity
 - b. Increasing money supply alone
 - c. Expanding population size
 - d. Promoting exports

Section B: Two-mark questions (Attempt any five)

1. What does 'underdevelopment as a coordination failure' mean? Explain.
2. Use the figure below to explain the forward and backward linkages for steel.



3. What is the relationship between core and periphery as per the neocolonial dependence model?
4. What is the free-market approach as per the neoclassical counterrevolution?
5. Given below are the human development indicators of two countries for the reference year 2023-24. Calculate the new HDI for both.

| Country | Life expectancy at birth (years) | Expected years of schooling (children) | Mean years of schooling (adults) | GNI per capita (PPP \$) |
|---------|----------------------------------|--|----------------------------------|-------------------------|
| India | 67.7 | 12.6 | 6.6 | 6,951 |
| Mexico | 74.8 | 14.5 | 9.2 | 19,138 |

Source: Human Development Report (2024)

6. Explain the vicious circle of poverty.

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

1. Explain the five stages of the growth theory by W.W. Rostow.
2. What is the role of values in development economics? Explain the three core values of development. (2+3)
3. Briefly explain five characteristics of most developing countries.
4. Using the graphs on page four, explain the two-sector structural transformation model of Lewis.

