

INDIAN STATISTICAL INSTITUTE, BANGALORE

B. Math (Hons.) Third Year

Second Semester- Economics II

MID-SEMESTER EXAM

DATE: 28TH FEBRUARY, 2020

MAXIMUM MARKS 40

DURATION: 3 HOURS

Part I: 1 mark questions

1. The false paradigm model proposes that underdevelopment is due to
 - a. Lack of structural transformation
 - b. Incorrect policy advice by uninformed 'experts'
 - c. Evolution of highly unequal international capitalist system
 - d. Internal corruption and inefficient institutions

2. Imperfect markets are
 - a. Markets with complete information with all agents
 - b. Markets with large number of buyers and sellers with no barriers to entry
 - c. Markets with small number of buyers and sellers and barriers to entry
 - d. None of the above

3. A company buys automatic robots to increase output instead of employing more workers. This can be classified as:
 - a. Labour saving technical progress
 - b. Labour augmenting technical progress
 - c. Capital augmenting technical progress
 - d. Neutral technical progress

4. A large comprehensive investment programme is needed for an underdeveloped economy to develop; investment below a minimum level is a wastage. This is the central idea of which growth theory?
 - a. Leibenstein's Critical Minimum Effort Theory
 - b. Myrdal's Circular Causation Theory
 - c. Rostow's Stages of Growth Theory
 - d. Rosenstein-Rodan's Big Push Theory

5. In the prisoner's dilemma scenario and the where to meet dilemma scenario, both parties involved will be
 - a. Better off competing than cooperating always
 - b. Better off cooperating, but cheating is an incentive once cooperation is achieved in prisoner's dilemma
 - c. Better off cooperating, but cheating is an incentive once cooperation is achieved in where to meet dilemma
 - d. None of the above

6. When the growth rate of countries are hypothesized to converge over time given the savings rate, labour force growth rate and production technologies are equal, it is called
 - a. Sectoral Convergence
 - b. Relative Country Convergence
 - c. Absolute Country Convergence
 - d. Conditional Convergence

7. The patterns of development analysis belongs to which category of classical theories of development
 - a. The linear stages approach
 - b. The structural transformation approach
 - c. The international dependence approach
 - d. The neoclassical counterrevolution

8. The Lewis model of economic growth assumes that
 - a. An unlimited supply of labour is available at a fixed wage rate
 - b. Supply of labour is an increasing function of wage rate
 - c. Supply of labour is a decreasing function of wage rate
 - d. There is lack of supply of labour from agricultural sector

Part II 2 marks questions

9. Define middle income countries as classified by the World Bank and give an example.
10. Mention two differences between the Harrod-Domar growth model and the Solow growth model.

11. Define i) Complementarity ii) Poverty trap
12. Mention two sources of disparity between real income and actual advantages identified by Amartya Sen in his 'capability approach' of development.
13. What is the difference between free market analysis and public choice theory in neoclassical counterrevolution approach of development?
14. Define forward and backward linkages. How do they contribute to development?
15. Mention any four sustainable development goals (SDGs).
16. What do you mean by newly industrialising nations? Give an example. Are they developing countries or developed countries?
17. What is the central idea of the linear stages approach of development? What determines the stages of growth in Harrod-Domar model?
18. How does colonial legacy affect the development of a country?
19. Define: i) Subsistence Economy ii) Brain drain
20. State any two characteristics of less developed countries.

Part III 4 marks questions

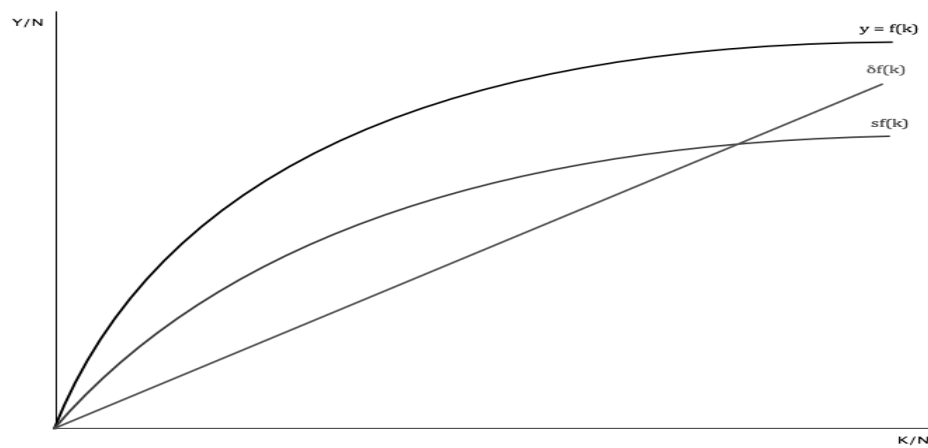
21. Given below are the human development indicators of two countries.

Country	Life Expectancy at Birth (in years)	Mean Years of Schooling (in years)	Expected years of Schooling (in years)	GNI per capita (PPP) (in \$)
A	51.4	5.4	7.9	21715
B	73.5	6.4	12.1	5401
Maximum	100	15	18	75000
Minimum	20	-	-	100

- i) Calculate the new HDI for both countries. (2)
- ii) Is the country with high income also the country with high levels of development? Explain why or why not using the data above. (2)

$$[\ln(100)=4.6 ; \ln(75000)=11.22 ; \ln(21715)=9.98 ; \ln(5401)=8.59]$$

22. Given below is the diagrammatic representation of the Solow growth model



- a. What is the 'steady state' in the Solow model? Give the Solow equation. (2)
- b. What happens to the 'steady state' when savings rate is increased? Explain and show in the diagram. (2)