A - 77

Entrance Examination, June 2012
M.Phil / Ph.D. (Economics)

Time: 2 Hours   Max. Marks: 75

HALL TICKET NUMBER

[ ]

INSTRUCTIONS

1. **Read these instructions carefully before answering.**

2. Enter your Hall Ticket Number on this page <u>and</u> also on the OMR answer sheet.

3. Answers are to be marked on the OMR answer sheet following the instructions provided there upon.

4. Handover <u>both</u> the question paper booklet and the OMR answer sheet at the end of the examination.

5. Use of non-programmable calculators is allowed.

6. The Question Paper has **two parts** – PART-A and PART-B. There are 75 questions in this paper: 25 questions in PART-A and 50 questions in PART-B. Marks obtained in PART-A will determine the merit rank in case of a tie in the total number of marks obtained.

7. Each correct answer carries <u>one</u> mark.

8. **There is negative marking. Each wrong answer carries -0.33 marks.**

9. This question paper contains 12 pages excluding the cover page. In addition, two (13, 14) **blank pages for rough work are provided at the end of the question paper marked "ROUGH WORK".** Candidates are allowed to do rough work only on these pages. **Candidates are not allowed to detach these pages from the main booklet.**

M.Phil / Ph.D Entrance Examination
Department of Economics

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Part –A (Answer all 25 questions)

1. In the popular Neo-liberal critique of Indian economy during 1950-80, which of the following is held responsible for poor performance of the economy?

   A. Discretionary regulation leading to rent-seeking.
   B. Foreign exchange shortage.
   C. Indiscriminate expansion of the Public sector.
   D. All of the above.

2. The most significant contributor responsible for the high growth rate of 9 % in India's GDP during 2005-09, is:
   A. Growth in organized employment
   B. A moderate rise in public sector investment
   C. A sharp rise in corporate investment
   D. A sharp rise in private consumption expenditure

3. Given that, $H = Q^2$ where $Q = Ax^\alpha y^\beta$ Which of the following statements is TRUE?

   A. $H(x,y)$ is homothetic for all values of $Q > 0$.
   B. $H(x,y)$ is homothetic for all values of Q.
   C. $H(x,y)$ is homogenous of degree $\alpha + \beta$
   D. $H(x,y)$ is not a homogenous function

4. The Marshallian measure of consumer surplus yields an unambiguous measure of a change in welfare for a change in prices only if
   A. the consumer utility function is linear.
   B. the consumer utility function is of Cobb-Douglas form.
   C. the consumer utility function is quasi-linear.
   D. the consumer utility function has transcendental logarithmic form

5. Which of the following statements reflects Coase Theorem:
   A. When transaction costs are zero, efficient bargaining requires third party intervention.
   B. allocation of property rights is necessary for an efficient allocation of resources, when transaction costs are zero.
   C. Efficient allocation of resources is possible through bargaining, no matter who has the property rights, when transaction costs are zero
   D. market transactions lead to efficient resource allocation only if there are positive transaction costs.

6. "Operation Barga" refers to the programme carried out in West Bengal under the left Front of
    A. Distributing land to the Landless
    B. Registering share- cropping tenants
    C. Ensuring minimum wages to agriculture labour
    D. Providing subsidized inputs to farmers.

7. The concept of Sustainable Development is about meeting the current consumption
    A. Without causing excessive government expenditure
    B. Without compromising the ability of future generations to meet their needs.
    C. Without compromising the ability of the present generations to meet their needs.
    D. Without using exhaustible resources.

8. A major problem in estimating real output of organized service sector in India is that:
    A. Services cannot be quantified
    B. There is no price index for services
    C. Many services are in unorganized sector
    D. Most services are not recorded

9. If the returns on different assets are uncorrelated,
    A. an increase in the number of assets in a portfolio may bring the standard deviation of the portfolio close to zero.
    B. there will be little gain from diversification.
    C. diversification will result in risk averaging but not in risk reduction.
    D. the expected return on a portfolio of such assets should be zero

10. Wholesale price index data is collected and published by:
    A. Ministry of Finance
    B. Ministry of Labour
    C. Ministry of Statistics
    D. Ministry of Commerce

11. Schumpeterian models of growth emphasize,
    A. Perfect Competition
    B. Imperfect Competition
    C. Government controls
    D. None of the above

12. Microfinance, through group lending which involves self-selection of member s, is presumed to solve the problem of
    A. Adverse selection
    B. Moral hazard
    C. Hold-up
    D. Both (A) and (B).

2

13. Prisoner's Dilemma example refers to a situation wherein
    A. Individual rational decision leads to socially optimal outcomes.
    B. Individual rational decision can lead to a socially suboptimal outcome.
    C. Individuals cannot make rational decisions always.
    D. Individuals face dilemmas in making rational decisions.

14. The farm size and productivity debate in Indian agriculture pertains to
    A. The importance of innovation in agriculture
    B. the productivity of labour on farms of different size
    C. the inverse relation between farm size and productivity
    D. None of the above

15. In Baumol's theory of firm, the objective of the firm is
    A. Profit maximization
    B. Cost minimization
    C. Entry deterrence
    D. Revenue maximization

16. Type I in econometric inference, refers to
    A. Accepting a true hypothesis
    B. Accepting a false hypothesis
    C. Rejecting a true hypothesis
    D. Rejecting a false hypothesis

17. Milton Friedman Positivist's approach contends that assumptions need not be realistic as long as theory is able to:
    A. Introspect well.
    B. Predict well.
    C. Explain well.
    D. None of them

18. According to Prebisch, Argentina's growth during 1890-1930 was adversely affected by its trade openness due to
    A. Argentina's falling productivity
    B. Argentina's specialisation in manufacturing.
    C. Argentina's policy of import substitution
    D. deterioration of Argentina's terms of trade.

19. The optimal levels of pollution are defined as
    A. Zero pollution
    B. the level at which marginal abatement cost are minimized
    C. The level at which external costs are so low as to be unnoticeable.
    D. the level at which the sum of the abatement costs and external costs is minimized.

20. To draw the Lorenz Curve showing the distribution of income by household, one should first rank all the households according to
   A. household size.
   B. income per capita.
   C. wage leve
   D. cumulative income per capita.

21. The Fourth Five Year Plan model by Manne-Rudra, showed that
   A. there was sectoral independence between consumption goods sector and the investment goods sector in short run
   B. the sectoral interdependence between final goods and investment goods was significant.
   C. investment and consumption goods sectors have substitution possibilities
   D. there was crowding effect between consumption goods and investment goods.

22. According to the Solow model, differences in per capita incomes across countries is due to
   A. Differences in levels of capital per worker
   B. Differences in technology
   C. Both A and B
   D. None of the above.

23. According to Marxist analysis, commodity fetishism occurs when
   A. People are obsessed with the possession of commodities
   B. People become superstitious about commodities.
   C. People do not see the underlying production relations through which commodities derive value.
   D. People think consumption as an end in itself.

24. In Adam Smith's analysis of long term growth, the division of labour is limited by the
   A. technical progress
   B. Capital accumulation
   C. Size of the market
   D. Growth of labour force

25. The "Natural Rate of Unemployment" in NAIRU hypothesis refers to

   A.   Structural unemployment
   B.   Involuntary unemployment
   C.   Frictional unemployment
   D.   Voluntary unemployment

PART-B (Answer all 50 questions)

26. Unit roots in time series analysis are tested using the following
    A. Chow Test
    B. CUSUM Test
    C. Augmented Dicky-Fuller Test
    D. Durbin-Watson Test

27. Theory of unequal exchange was propounded by
    A. Arghiri Emmanuel
    B. Gunnar Myrdal
    C. Raul Prebisch
    D. Alfred Marshall

28. Metzler's Paradox refers to the possibility that a tariff on imports
    A. raises the relative price of imports
    B. raises the relative price of exports
    C. reduces relative price of exports
    D. None of the above

29. Which of the following statements regarding food production in India is not true?
    A. The public sector capital formation in food production has gone down
    B. The food grain production has gone up since Green Revolution
    C. The per capita net availability of food grains has gone up in the post-reform period
    D. The productivity in food grain sector has gone down in the recent times

30. If the independent variables are correlated in regression analysis, it is called the problem of
    A. Autocorrelation problem
    B. Heteroscedasticity
    C. Multicollinearity
    D. Specification bias

31. Classical economists believed in:
    A. The general Principle of Scarcity
    B. Utility as an explanation of price
    C. Diminishing returns throughout the economy
    D. Diminishing returns in Agriculture

32. Paul Krugman's model of trade lays emphasis on
    A. economies of scale
    B. labour productivity
    C. factor endowments
    D. none of the above

5

33. Gold Exchange Standard broke down on account of
    A. huge deficit in USA' Balance of Payments
    B. loss of confidence in convertibility of the dollar
    C. inflation in USA
    D. none of the above

34. Portfolio-balance model in an open economy emphasizes that
    A. investors invest in domestic assets
    B. investors invest in foreign bonds
    C. investors invest in both domestic and foreign assets
    D. None of the above

35. In the context of credit policy of the banking sector in the post-Reforms period, which one of the following statements is false?

    A. The credit-deposit ratio in the rural areas has risen 36% to 68%.
    B. The average loan size has gone up from Rs.5 lakhs to Rs.30 lakhs
    C. The share of small borrowers has fallen
    D. The number of rural branches of banks has come down.

36. The structuralist explanation for India's mid-sixties stagnation of manufacturing sector is:

    A. Excessive bureaucratic regulation
    B. An Irrational licensing system
    C. The failure of Planning as a strategy
    D. An Agrarian constraint

37. After the introduction of Tax Reforms in the Indian economy, the tax-GDP ratio during 1994-2010 has

    A. increased from 10 to 20%
    B. Stagnated at 20%
    C. Fallen from 20% to 10%
    D. Stagnated at 10%

38. Linders Demand Hypothesis states that
    A. domestic demand determines range of exports and imports
    B. external demand determines exports
    C. exchange rate determines exports and imports
    D. domestic exports would grow with devaluation.

39. "Usual Status Employment" in NSSO data can only capture

    A. Extent of unemployment
    B. Extent of employment
    C. Number of employed people
    D. Extent of underemployment

40. In the last one decade, the agricultural growth in India is largely driven by:

    A. Public investment in agriculture
    B. Private investment in agriculture
    C. Both Public and Private investment
    D. Exclusive rise in productivity

41. The share of wages in the value added of the organized manufacturing sector in India during 1983-07 has:

    A. Sharply increased from 32% to 80%
    B. Stagnated at 30%
    C. Secularly fallen to 11% from 32 %
    D. Moderately fallen to 30% from 32%

42. An electricity generating firm acquiring partial ownership in a coal mine can reduce the problem of
    A. pre-contractual opportunism by coal firm.
    B. adverse selection for electricity firm.
    C. hold-up by coal firm.
    D. specific investment by coal firm.

43. The system of equations given by
    $7x + 3y - 3z = 7,$
    $2x + 4y + z = 0$
    $-2y - z = 2$

    A. Has a partial solution
    B. Has a unique solution
    C. Has infinite solutions
    D. represents an inconsistent set of equations

44. Suppose that MPC of disposable income is 0.8 and the tax function for a given economy is T = -30+0.25 Y, where T is tax and Y is income. An increase in the intercept of the tax function by 10 units would cause equilibrium income in the simple Keynesian model to fall by
    A. - 20 units
    B. 10 units
    C. 20 units
    D. 40 units

45. According to the long term national income estimates, the first structural break in the growth of GDP in the Indian economy during the last century occurred in:

    A. 1991-92
    B. 1981-82
    C. 1971-72
    D. 1950-51

46. A major reason for fall in net barter terms of trade of agriculture vis-à-vis non-agricultural sector in the process of development is that:

    A. Agricultural goods are inferior goods.
    B. Agricultural goods tend to have lower income elasticity than their non-agricultural counterparts.
    C. Agricultural productivity is low.
    D. Farmers cannot afford high investment.

47. Effective rate of protection takes into account
    A. tariff on final good
    B. tariff on intermediate good
    C. tariff on final good and intermediate good
    D. None above

48. Regarding the public sector performance in the post-Reform period, which one of the following observations is valid for India?

    A. The Gross Profits of Central PSUs have gone up.
    B. The budgetary support to PSUs has drastically gone down.
    C. The revenue cost-ratio has enormously improved
    D. All of the above.

49. The maximum likelihood (ML) and ordinary least square (OLS) estimators of the regression coefficients are identical under the assumptions of

    A. Normal distribution of disturbance term
    B. Classical linear regression model
    C. Two-tailed testing
    D. None of the above

50. The NSSO data on consumption of cereals, shows that over the last two decades,

    A. Calorie consumption among all classes has fallen
    B. Consumption expenditure among all classes has risen
    C. The real wages in rural and urban areas have marginally improved.
    D. All of the above.

51. The following test is used for structural breaks in time series data :
    A. CUSUM test
    B. t-test
    C. F-test
    D. Dicky Fuller test

52. In violation of the provisions of the FRBM Act, the fiscal deficit during 2008-10 in India was allowed to exceed 8 percent in order to:

    A. To ward off falling domestic consumption demand
    B. To make Indian corporates withstand global slowdown
    C. To enable Indian corporates to increase productivity
    D. To take advantage of low inflation

53. The problem of autocorrelation in econometrics is a problem related to
    A. serial correlation among explanatory variables.
    B. correlation between dependent variable and explanatory variables.
    C. serial correlation in disturbance terms.
    D. correlation between the explanatory variables and disturbance terms.

54. For dependent variables that are qualitative in nature, in a regression analysis, which of the following models is used for estimating the coefficients?

    A. LOGIT and PROBIT model
    B. Vector Auto Regression model
    C. ARIMA model
    D. Principal Components Model

55. In Marxist Political Economy, if the rate of exploitation (s/v) rises, and the profit rate falls, the following must be true:
    A. Organic composition of capital must rise more rapidly than the rise in s/v.
    B. Organic composition of capital must fall more rapidly than the rise in s/v.
    C. Organic composition of capital must rise at the same rate as the rise in s/v.
    D. None of the Above

56. Ricardo argued for repeal of Corn Laws in England because
    A. high domestic corn prices reduced the capitalist accumulation.
    B. high domestic corn prices reduced exports
    C. England lost the comparative advantage in corn exports
    D. real wages started to fall in England.

9

57. For any tax-GDP ratio, public debt in an economy is fiscally sustainable as long as:

    A.   interest rate on public debt is less than nominal GDP growth rate.
    B.   interest rate on public debt is more than nominal GDP growth rate.
    C.   fiscal deficit is below 3 percent
    D.   revenue deficit is zero

58. The idea of equalization of profit rates across industries over time is attributed to:

    A. Karl Marx
    B. David Ricardo
    C. Francois Quesnay
    D. Adam Smith

59. In the Romer model, growth is explained by,
    A. Increasing returns to scale caused by externalities in knowledge accumulation
    B. Decreasing returns to scale caused by externalities in knowledge accumulation
    C. Constant returns to scale caused by externalities in knowledge accumulation
    D. None of the above

60. Game theory is concerned with rational decision making when an individual's welfare/ utility depends
    A. only on his own decision
    B. entirely on chance
    C. on the interaction of his decision with that of others.
    D. all of the above

61. Government policies affecting rates of investment have a permanent effect on GDP growth rate according to
    A. Harrod-Domar Models
    B. AK models of growth
    C. Solow model of growth
    D. both A and B

62. Methodological individualism refers to
    A.   Method of taking individual preferences as a basis for theorization social phenomena
    B.   Adopting the individual as a unit of analysis
    C.   Method of considering individual experience for theorization
    D.   Method of considering classes of individuals as one of the attribute for analysis

63. Assuming a Cobb-Douglas production function $y = k^{1/3}$ (where y and k are income and capital per worker respectively) a ten-fold difference in output per worker would require

    A. a 1000 fold difference in capital per worker
    B. a 100 fold difference in capital per worker
    C. a 10 fold difference in capital per worker
    D. a 30 fold difference in capital per worker

64. In Schumpeter's thesis, capitalistic development is fueled by
    A. Capital accumulation
    B. Credit.
    C. Labour productivity
    D. None of the above factors.

65. Agricultural output data in India is generated using :
    A. Crop cutting method and aggregate acreage data
    B. Satellite mapping
    C. Census enumeration of crop acreage
    D. National sample survey data

66. Securities in equity markets with $\beta > 1$ corresponds to
    A. security entailing above average sensitivity to market swings.
    B. security entailing lower than average sensitivity to market swings
    C. securities entailing no sensitivity to market swings
    D. Both A and B.

67. According to Hyman Minsky's Financial Instability Hypothesis, market mechanisms tends to promote inflationary pressures and financial fragility as the economy tends toward full employment. Maintaining non-inflationary stable full employment level of output requires

    A. Proper inflation-targeting monetary policy
    B. Anti-cyclical fiscal policies
    C. Vigilance against Ponzi-schemes
    D. All of them.

68. According to the New Classical School, fiscal policy intervention for full employment is
    A. highly desirable for non-accelerating inflation rate
    B. at best ineffective in achieving full employment and at worst creates inflation.
    C. possible with a selective and discretionary fiscal policy
    D. should also carry the objective of maintaining macroeconomic equilibrium.

69. The theory of Contestable Markets is propounded by
    A. Paul Krugman
    B. Alfred Marshall
    C. William Baumol, J.C. Panzar and Robert Willing
    D. William Sharkey

11

70. The Impossible trinity thesis in international economics refers to the impossibility of maintaining

   A. A flexible exchange rate, capital account convertibility and independent monetary policy
   B. A fixed exchange rate, capital account convertibility and independent monetary policy.
   C. A flexible exchange rate, large foreign exchange reserves and independent monetary policy
   D. A fixed exchange rate, capital account convertibility and independent fiscal policy

71. When the money demand is interest-inelastic, and money stock is the intermediate target,
   A. LM curve is horizontal.
   B. LM curve is vertical.
   C. IS curve would be horizontal.
   D. None of the above.

72. A sustainable multi-product Natural Monopoly is defined as one
   A. whose pricing of its product set deters entry.
   B. whose pricing of its product set covers costs of production
   C. whose pricing of its product set covers costs of production and deters entry.
   D. whose pricing of its product set is equates consumer's willingness to pay to price.

73. In the Solow Model, the engine of growth is,
   A. Capital accumulation
   B. Technical progress
   C. Population rate of growth
   D. Perfectly competitive markets

74. During 1970s in India, the sum of income tax, wealth tax and surcharge:

   A. Was up to 50% of personal income.
   B. Was up to 30% of personal income.
   C. Exceeded 100% of personal income.
   D. Below 50% of personal income.

75. Taylor rule in macroeconomics specifies
   A. a constant relationship between interest rate and output.
   B. a constant relationship between interest rate, output and inflation.
   C. a flexible relationship between interest rate, output and inflation.
   D. a fixed relationship between inflation and output.