

National Testing Agency

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INTERNATIONAL TRADE AND DEVELOPMENT 831

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PART I

Section Id : 128206177
Section Number : 1
Section type : Online
Mandatory or Optional: Mandatory
Number of Questions: 5
Number of Questions to be attempted: 5
Section Marks: 10
Display Number Panel: Yes
Group All Questions: No

Sub-Section Number: 1
Sub-Section Id: 128206285
Question Shuffling Allowed : Yes

Question Number : 1 Question Id : 1282066466 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical
Correct Marks : 2 Wrong Marks : 0

To choose between fixed versus random effects estimation for a panel model, a researcher carries out the Hausman test and finds that the test statistic is statistically insignificant.

- a) Both fixed effects and random effects will give consistent estimates, although fixed effects model will be inefficient
- b) Both fixed effects and random effects will give consistent estimates, although random effects model will be inefficient
- c) Only random effects will give consistent estimates
- d) Only fixed effects will give consistent estimates

Options :

- 12820625599. A
- 12820625600. B
- 12820625601. C
- 12820625602. D

Question Number : 2 Question Id : 1282066467 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Consider the following utility function:

$$U(x_1, x_2) = \psi(u(x_1, x_2))$$

where $\psi' > 0$ and u is homogeneous of degree one.

Which of the following is correct?

- a) the marginal rate of substitution is constant along any ray from the origin
- b) the Engle curves are straight lines through the origin
- c) indifference curves are radial translates of one another
- d) all of the above

Options :

- 12820625603. A
- 12820625604. B
- 12820625605. C
- 12820625606. D

Question Number : 3 Question Id : 1282066468 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The rural-urban wage gap arises endogenously in (A) efficiency wage hypothesis, (B) labour turnover model (C) Lewis model (D) Harris-Todaro model;

- a) A, B
- b) B, C
- c) C, D
- d) D, A

Options :

- 12820625607. A
- 12820625608. B
- 12820625609. C
- 12820625610. D

Question Number : 4 Question Id : 1282066469 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

An imposition of a tariff on importable in presence of the Metzler paradox leads to a rise in the real reward of the factor

- a) Intensive in the production of exportable
- b) Intensive in the production of the importable
- c) Intensive in the production of importable if specialization is incomplete
- d) Intensive in the production of both exportable and importable

Options :

12820625611. A

12820625612. B

12820625613. C

12820625614. D

Question Number : 5 Question Id : 1282066470 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The “Impossible Trinity” postulates that it is impossible to do the following three things at the same time:

- a) Free capital flows, free immigration flows, and free trade flows
- b) Government budget deficit, current account deficit, and personal savings deficit
- c) Free capital flows, independent monetary policy, and fixed exchange rates
- d) Democracy, high economic growth policy, and low corruption

Options :

12820625615. A

12820625616. B

12820625617. C

12820625618. D

PART II

Section Id :	128206178
Section Number :	2
Section type :	Online
Mandatory or Optional:	Mandatory
Number of Questions:	30
Number of Questions to be attempted:	30
Section Marks:	90
Display Number Panel:	Yes
Group All Questions:	No

Sub-Section Number:	1
Sub-Section Id:	128206286
Question Shuffling Allowed :	Yes

Question Number : 6 Question Id : 1282066471 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

For what values of x is the following function continuous

$$f(x) = \frac{x-1}{\sqrt{x-1}} \text{ if } x > 1$$

$$f(x) = 5 - 3x \text{ if } -2 \leq x \leq 1$$

$$f(x) = \frac{6}{x-4} \text{ if } x < -2$$

- a) $f(x)$ is discontinuous at $x=1$ and continuous at all other values
- b) function f is continuous for all values of x except at $x=-2$
- c) $f(x)$ is continuous at all values of x
- d) $f(x)$ is continuous at all values of x except for $x > 1$

Options :

12820625619. A

12820625620. B

12820625621. C

12820625622. D

Question Number : 7 Question Id : 1282066472 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Let $f(x) = x^2$, and the domain of x is $[1, 2]$. Which of the following statements is true?

- a) The maximum of $f(x)$ is at $x = 0$
- b) The function does not have a maximum
- c) The minimum of $f(x)$ is at $x = 1$
- d) None of the above

Options :

12820625623. A

12820625624. B

12820625625. C

12820625626. D

Question Number : 8 Question Id : 1282066473 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

The solution to the following minimization problem:

Min $y = x_1 + x_2$ subject to the constraint $1 - \sqrt{x_1} - x_2 = 0$ is

- a) $x_1 = 1, x_2 = 2$
- b) $x_1 = \frac{1}{3}, x_2 = 1$
- c) $x_1 = \frac{1}{4}, x_2 = \frac{1}{2}$
- d) none of the above

Options :

12820625627. A

12820625628. B

12820625629. C

12820625630. D

Question Number : 9 Question Id : 1282066474 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Which of the following matrix properties does $adj(M)$ satisfy? Where $adj(M)$ is the adjoint matrix, M^T is transpose of matrix M , and I is the identity matrix

- a) $M \times adj(M) = det(M)I$
- b) $M \times det(M) = adj(M)I$
- c) $adj(M) = M^T \cdot det(M)$
- d) $det(M) = M^{-1} \cdot adj(M)$

Options :

12820625631. A

12820625632. B

12820625633. C

12820625634. D

Question Number : 10 Question Id : 1282066475 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

A student wishes to allocate her available study time of 60 hours per week between two subjects as to maximize her grade average. Let grades as a function of study time be $g_1 = 20 + 20\sqrt{t_1}$; $g_2 = -80 + 3t_2$, where t_1 and t_2 are time allotted to subject 1 and 2, respectively. The optimal t_1 and t_2 are

- a) $t_1 = 20, t_2 = 40$
- b) $t_1 = 11.11, t_2 = 48.89$
- c) $t_1 = 30, t_2 = 30$
- d) $t_1 = 15.5, t_2 = 44.5$

Options :

12820625635. A

12820625636. B

12820625637. C

12820625638. D

Question Number : 11 Question Id : 1282066476 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

The solution to the first order linear differential equation $\frac{dy}{dx} - 2y = 10$,

with the constant of integration B , is given by:

- a) $y = Be^{2x} - 5$
- b) $y = Be^{2x}$
- c) $y = Be^{2-5x}$
- d) $y = Be^{2x-5x}$

Options :

12820625639. A

12820625640. B

12820625641. C

12820625642. D

Question Number : 12 Question Id : 1282066477 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Let X be a random variable with mean 0 and variance 4. The upper bound for $P(|X| \geq 8)$ is

- a) $1/16$
- b) $1/8$
- c) $1/4$
- d) $1/2$

Options :

12820625643. A

12820625644. B

12820625645. C

12820625646. D

Question Number : 13 Question Id : 1282066478 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Random variables X and Y have the following joint pdf

$$f(x, y) = \begin{cases} 2 - x - y; & 0 \leq x \leq 1, \quad 0 \leq y \leq 1 \\ 0; & \text{elsewhere} \end{cases}$$

The correlation coefficient between X and Y is:

- a) $-1/144$
- b) $1/144$
- c) $1/11$
- d) $-1/11$

Options :

12820625647. A

12820625648. B

12820625649. C

12820625650. D

Question Number : 14 Question Id : 1282066479 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Random variables X and Y have the following joint pdf

$$f(x, y) = \begin{cases} 21x^2y^3; & 0 \leq x < y < 1 \\ 0; & \text{elsewhere} \end{cases}$$

The conditional mean and conditional variance of X given Y are:

- a) $\frac{4y}{3}$ and $\frac{4y^2}{3}$
- b) $\frac{3y}{4}$ and $\frac{3y^2}{80}$
- c) $\frac{4y}{3}$ and $\frac{3y^2}{4}$
- d) $\frac{4y}{3}$ and $\frac{4y^2}{80}$

Options :

12820625651. A

12820625652. B

12820625653. C

12820625654. D

Question Number : 15 Question Id : 1282066480 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

If $X \sim \text{Poisson}(\lambda)$, then the moment generating function of $Y=2X - \lambda$ is

- a) $e^{\lambda(e^{2t}-2t-1)}$
- b) $e^{2\lambda(e^{2t}-t-1)}$
- c) $e^{\lambda(t-1)}$
- d) $e^{\lambda(e^{2t}-t-1)}$

Options :

12820625655. A

12820625656. B

12820625657. C

12820625658. D

Question Number : 16 Question Id : 1282066481 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Suppose that X is a discrete random variable with the following probability distribution, where $0 \leq \theta \leq 1$ is a parameter.

X	0	1	2	3
p(X)	$2\theta/3$	$\theta/3$	$2(1-\theta)/3$	$(1-\theta)/3$

Suppose that the following 10 independent observations were taken from the above distribution: (3,0,2,1,3,2,1,0,2,1). The Maximum likelihood estimate of θ based on this sample of observations is

- a) 3
- b) 2
- c) $1/2$
- d) $3/2$

Options :

12820625659. A

12820625660. B

12820625661. C

12820625662. D

Question Number : 17 Question Id : 1282066482 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Consider a multiple linear regression model satisfying the Gauss-Markov assumptions except homoskedasticity. Specifically, the vector of errors $u=(u_1, u_2, \dots, u_n)$ has variance Ω , a diagonal matrix, instead of the typical $\sigma^2 I_n$, where I_n is the identity matrix of order n. Then the variance of the OLS estimator is given by:

- a) $\sigma^2(X'X)^{-1}$
- b) $(X'X)^{-1}X'\Omega X(X'X)^{-1}$
- c) $\Omega(X'X)^{-1}$
- d) $\Omega(X'X)^{-1}\Omega$

Options :

- 12820625663. A
- 12820625664. B
- 12820625665. C
- 12820625666. D

Question Number : 18 Question Id : 1282066483 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Suppose you wish to estimate β in $y_i = \alpha + x_i \beta + u_i$. Instead of measuring x you measure x^* where $x_i^* = x_i + \varepsilon_i$ and ε_i is a measurement error which is independent across individuals and independent of x. Let variances be denoted by σ^2 , then which of the following statements is true:

- a) the OLS estimator converges asymptotically to $\delta\beta$ where $0 \leq \delta \leq 1$
- b) the OLS estimator converges asymptotically to $\delta\beta$ where $\delta > 1$
- c) $\beta_{OLS} = \beta \left(1 - \frac{\sigma_\varepsilon^2}{\sigma_\varepsilon^2 + \sigma_x^2}\right)$
- d) Both a and c

Options :

- 12820625667. A
- 12820625668. B
- 12820625669. C
- 12820625670. D

Question Number : 19 Question Id : 1282066484 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Consider the following model, $y = z_1 \beta + w \alpha + \varepsilon$, where $E(z \varepsilon) = 0$ and $z = (z_1, z_2)$ is vector of exogenous variables. The variable w is endogenous: $E(w \varepsilon) \neq 0$. Suppose we use the following procedure to estimate (β, α) :

Step 1: Regress w on z_2 i.e. $w = z_2 \gamma + v$ and obtain the fitted values, \hat{w} .

Step 2: Regress y on (z_1, \hat{w}) and obtain $(\hat{\beta}, \hat{\alpha})$

When will the estimates be consistent?

- a) If $E(w|z_1, z_2) = E(w|z_2)$
- b) If $E(z_1 v) = 0$
- c) Both a and b
- d) None of the above, the estimates are consistent

Options :

- 12820625671. A
- 12820625672. B
- 12820625673. C
- 12820625674. D

Question Number : 20 Question Id : 1282066485 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

At a competitive equilibrium (CE), a price normalization is required because

- a) demands and supplies are homogenous of degree zero in prices.
- b) a CE is characterized by a system of n equations in n unknown prices
- c) at a CE the Walras law is true
- d) Both (a) and (b) are true

Options :

- 12820625675. A
- 12820625676. B
- 12820625677. C
- 12820625678. D

Question Number : 21 Question Id : 1282066486 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Let S denote the $n \times n$ dimensional Slutsky matrix of substitution effects where n is the number of commodities. Let $p \in \mathbb{R}_{++}^n$ denote the price vector faced by consumers. If S is derived under the standard assumptions of a preference-based consumer theory, then which of the following is not a property of this matrix?

- a) S is negative semi-definite
- b) S is symmetric
- c) $S \cdot p = 0_n$
- d) $S \cdot p > 0_n$

Options :

- 12820625679. A
- 12820625680. B
- 12820625681. C
- 12820625682. D

Question Number : 22 Question Id : 1282066487 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Suppose the constant marginal cost of producing a public good is c . Two consumers A and B contribute amounts T_A and T_B towards provision of the public good out of their total incomes y^A and y^B , respectively. Their utilities are functions of money left after contributing to the public good and the amount of the public good provided, which is given by $g = \frac{T^A + T^B}{c}$. Thus, their utility functions are given by $U^A(y^A - T^A, \frac{T^A + T^B}{c})$ and $U^B(y^B - T^B, \frac{T^A + T^B}{c})$, respectively. Let $MRS_{g,m}^A$ and $MRS_{g,m}^B$ denote the marginal rates of substitution between the public good and the money consumed for consumers A and B , respectively.

At a free-riding equilibrium, where each chooses his respective contribution assuming that the other has contributed, which of the following is true:

- $MRS_{g,m}^A + MRS_{g,m}^B = c$
- $MRS_{g,m}^A + MRS_{g,m}^B > c$
- $MRS_{g,m}^A + MRS_{g,m}^B < c$
- none of the above

Options :

12820625683. A
 12820625684. B
 12820625685. C
 12820625686. D

Question Number : 23 Question Id : 1282066488 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
 Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Suppose a home firm competes with a foreign firm in the domestic market. The two firms produce homogenous products and compete in quantities. The demand function faced by the firms is $Q = 200 - 2P$ where Q is the total quantity and P is the price. Each firm has a constant marginal cost of production given by $MC=10$. In addition, the home country government imposes a per unit tariff of 10 on imports.

The quantity produced by the home country, q_H ; quantity produced by the foreign firm, q_F ; and market price, P ; are

- $q_H = \frac{190}{3}; q_F = \frac{190}{3}; P = 110/3$
- $q_H = \frac{200}{3}; q_F = \frac{140}{3}; P = 130/3$
- $q_H = \frac{100}{3}; q_F = \frac{50}{3}; P = 100/3$
- None of the above

Options :

12820625687. A
 12820625688. B
 12820625689. C
 12820625690. D

Question Number : 24 Question Id : 1282066489 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
 Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

A firm (player 1) is considering entering an established industry with one incumbent firm (player 2). Player 1 must choose whether to enter (E) or to not enter (N) the industry. If player 1 enters the industry then player 2 can either accommodate the entry (A), or fight the entry (F) with a price war. Player 1's most preferred outcome is entering with player 2 not fighting, and his least preferred outcome is entering with player 2 fighting. Player 2's most preferred outcome is player 1 not entering, and his least preferred outcome is player 1 entering with player 2 fighting. Find subgame perfect Nash equilibrium of this game.

- a) (E, F)
- b) (E, A)
- c) (N, F)
- d) The game does not have a subgame-perfect Nash equilibrium

Options :

- 12820625691. A
- 12820625692. B
- 12820625693. C
- 12820625694. D

Question Number : 25 Question Id : 1282066490 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Suppose a factory produces steel at costs $C(Q) = Q^2$, where Q is the output of steel. In addition, 2 units of emissions are produced for each unit of steel output. The damage from pollution is Rs 2 per unit of emissions. The firm's output sells for Rs 10 per unit. The Pigovian tax per unit of output (t), and firm's profit in the presence of Pigovian tax (π) are

- a) $t = 2$; $\pi = 25$
- b) $t = 1$; $\pi = 16$
- c) $t = 4$; $\pi = 9$
- d) None of the above

Options :

- 12820625695. A
- 12820625696. B
- 12820625697. C
- 12820625698. D

Question Number : 26 Question Id : 1282066491 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

N identical ice cream sellers must decide where to locate on a uniform strip of beach of length 1 (assume the beach has only 1 dimension, length). Seller i thus chooses his location, x_i , where x_i must lie in the closed interval $[0,1]$. Buyers are distributed uniformly along the beach, and go to the seller closest to them. Sellers want to maximize market share. Then

- a) This game always has only one Nash equilibrium.
- b) No pure strategy Nash equilibrium exists for $N = 3$.
- c) All sellers must locate at $\frac{1}{2}$ for $N = 4$.
- d) There are an infinite number of solutions for any given N .

Options :

- 12820625699. A

12820625700. B
12820625701. C
12820625702. D

Question Number : 27 Question Id : 1282066492 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical
Correct Marks : 3 Wrong Marks : 0

Which of the following utility functions exhibits both constant absolute risk aversion as well as decreasing relative risk aversion? W stands for wealth in all cases.

- a) $U(W) = \ln W$
- b) $U(W) = -e^{-\theta W}, 0 < \theta < 1$
- c) $U(W) = W^\alpha, 0 < \alpha < 1$
- d) $U(W) = a^W, a > 1$

Options :

12820625703. A
12820625704. B
12820625705. C
12820625706. D

Question Number : 28 Question Id : 1282066493 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical
Correct Marks : 3 Wrong Marks : 0

Suppose consumption demand depends on wealth as well as on income (including income from holding government bonds). Income, including that from bonds, is taxed. Money demand also depends (positively) on wealth as well as on income (positively) and the interest rate (negatively). Now, the government undertakes a fiscal expansion. Then

- a) If the fiscal expansion is financed by issuing new bonds, that will always cause a greater increase in long run output than if the fiscal expansion is financed by printing new money
- b) Issuing new bonds to finance the fiscal expansion always shifts both the IS and LM curves to the right compared to an unfinanced fiscal expansion
- c) Financing the fiscal expansion via issuing bonds causes a greater increase in long run output compared to financing the fiscal expansion via printing money, only if the tax rate is low enough and money demand is very sensitive to wealth.
- d) Financing the fiscal expansion via issuing bonds causes a greater increase in long run output compared to financing the fiscal expansion via printing money, only if the tax rate is high enough and money demand is not too sensitive to wealth.

Options :

12820625707. A
12820625708. B
12820625709. C
12820625710. D

Question Number : 29 Question Id : 1282066494 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical
Correct Marks : 3 Wrong Marks : 0

Suppose that the nominal wage is rigid, and there is imperfect competition in the goods market. Then

- a) The real wage is always procyclical
- b) The AS curve must be upward sloping
- c) If the markup is more strongly countercyclical than the marginal productivity of labour, a recession will decrease output and increase prices.
- d) If the markup is more strongly countercyclical than the marginal productivity of labour, a recession will decrease output and decrease prices.

Options :

12820625711. A

12820625712. B

12820625713. C

12820625714. D

Question Number : 30 Question Id : 1282066495 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Suppose the permanent income hypothesis holds. Which of the following is *false*?

- a) Consumption follows a random walk if the utility function is linear quadratic.
- b) Consumption does not follow a random walk if the marginal utility is convex.
- c) A regression of consumption on current income will yield a slope coefficient close to 1 for time series data, but significantly less than 1 for cross sectional data.
- d) If all groups receive the same current income in any period, poor groups save less of this income than richer groups do.

Options :

12820625715. A

12820625716. B

12820625717. C

12820625718. D

Question Number : 31 Question Id : 1282066496 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Suppose that two countries share identical levels of technology, depreciation rate and savings rate. Populations in both countries do not change over time. According to the Solow model, which of the following statements on the growth rate of output is true?

- a) the country with the smaller level of output per worker will grow more rapidly than the country with the greater level of output per worker.
- b) the country with the greater level of output per worker will grow more rapidly than the country with the smaller level of output per worker.
- c) both countries necessarily have the same growth rates of output.
- d) none of the above.

Options :

12820625719. A

12820625720. B

12820625721. C

12820625722. D

Question Number : 32 Question Id : 1282066497 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Which of the following best explains the “J-Curve” pattern of net exports adjustment after an exchange rate depreciation?

- a) Consumers wait to see whether the Marshall-Lerner conditions hold before adjusting their buying patterns.
- b) The depreciation lowers domestic interest rates, which increases domestic consumption and investment.
- c) Fiscal policymakers fear a “sudden stop” and lower taxes.
- d) Prices adjust rapidly to exchange rate movements, while quantities adjust with a lag.

Options :

12820625723. A

12820625724. B

12820625725. C

12820625726. D

Question Number : 33 Question Id : 1282066498 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Consider a small open economy (so world prices and interest rates are taken as given) with a flexible exchange rate and perfect capital mobility. Assume that the Marshall-Lerner condition is satisfied. A fiscal contraction will have the short-run effect of

- a) increasing the balance of both the current and the capital accounts.
- b) decreasing the balance of both the capital and the current accounts.
- c) decreasing the balance of the current account, but increasing that of the capital account.
- d) decreasing the balance of the capital account, but increasing that of the current account.

Options :

12820625727. A

12820625728. B

12820625729. C

12820625730. D

Question Number : 34 Question Id : 1282066499 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

In a two sector (rural and urban) dual economy model, let

$$Q_R = f_R(L_R) \text{ with } f'_R > 0 \text{ and } f''_R < 0 \text{ and}$$

$$Q_U = f_U(L_U) \text{ with } f'_U > 0 \text{ and } f''_U < 0$$

be the rural and urban sector production functions respectively, producing Q_R and Q_U units of the same product employing L_R and L_U units of labour. Let $L \geq L_R + L_U$ be the fixed amount of labour available in the economy ($L_R, L_U \geq 0$). Assuming absence of wage rigidity, total output $Q = Q_R + Q_U$ can be maximised with full employment ($L = L_R + L_U$), if total labour is distributed between the two sectors such that:

- a) $f'_U(L_U) = f'_R(L_R)$
- b) $f'_U(L_U) > f'_R(L_R)$
- c) $f'_U(L_U) < f'_R(L_R)$
- d) None of the above

Options :

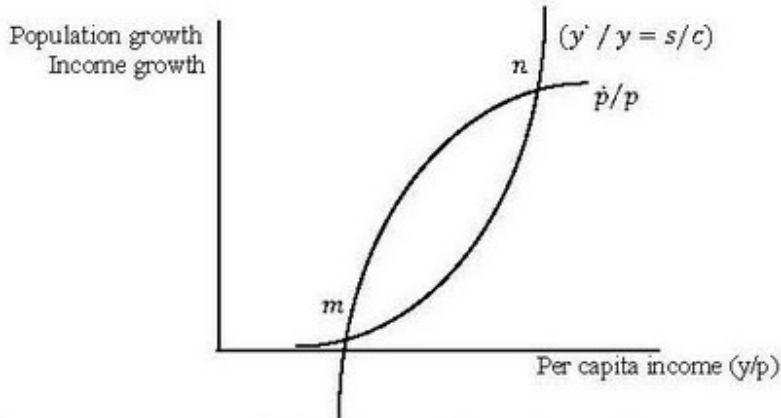
12820625731. A

12820625732. B
12820625733. C
12820625734. D

Question Number : 35 Question Id : 1282066500 Question Type : MCQ Option Shuffling : No Display Question Number : Yes
Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 3 Wrong Marks : 0

Consider the following diagram depicting population growth (\dot{p}/p) according to Malthusian theory and income growth ($\dot{y}/y = s/c$) according to Harrod-Domar model as functions of per capita income.



There are two equilibria m and n , where the two growth rates converge. One is stable and the other unstable. Policy makers must aim at pushing the economy beyond

- a) m which is a stable equilibrium
- b) n which is a stable equilibrium
- c) m which is an unstable equilibrium
- d) n which is an unstable equilibrium

Options :

12820625735. A
12820625736. B
12820625737. C
12820625738. D