UNIVERSITY OF HYDERABAD

Ph. D. PROGRAMME IN GANDHIAN ECONOMIC THOUGHT

Entrance Examination – June 2010

Maximum Marks : 75

Time : 2 Hours

Hall Ticket No.

INSTRUCTIONS :

1. Read these instructions carefully before answering.

2. Write your Hall Ticket Number in the space provided above on this page.

3. This question paper has TWO parts.

4. PART – A consists of 25 multiple choice questions. Each correct answer carries one mark. *Write the correct choice in the box provided next to the question.*

5. **Note that there is negative marking for questions in PART – A. Each wrong answer carries – 0.33 marks.**

6. PART – B has short answer questions. This part carries 50 marks. Read further instructions provided there.

7. Use of calculators is <u>NOT</u> permitted.

8. Hand over the question paper booklet at the end of the examination to the Invigilator.

9. No additional sheets will be provided. Rough work can be done in the question paper itself / on the space provided for it at the end of the booklet.

10. This question paper contains 26 pages, including this page and pages for the rough work.

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PART – A

1) Which of the following measures of inequality allows for assigning higher sensitivity to lower incomes? [   ]

   A. Gini Index
   B. Atkinson Index
   C. Coefficient of variation
   D. Relative quartile deviation index

2) Arrange the following three events/movements in chronological order: (a) Champaran Movement; (b) Dandi March; (c) Chauri Chaura incident. [   ]

   A. c – b – a
   B. a – b – c
   C. c – a – b
   D. a – c – b

3) Consider the following two situations: (a) People keep all their money as currency only; (b) Banks are not allowed to lend out of deposits (they can lend out of their own capital). Then, [   ]

   A. Money multiplier is equal to zero in both (a) and (b).
   B. Money multiplier is equal to zero in (a) and is equal to 1 in (b).
   C. Money multiplier is greater than zero in (a) and is equal to zero in (b).
   D. Money multiplier is equal to 1 in both (a) and (b).

4) An argument is a string of n number of statements where n is [   ]

   A. Equal to 2
   B. Equal to 3
   C. Equal to or more than 2
   D. None of the above

5) Suppose country A has comparative cost advantage in commodity X and country B has comparative cost advantage in commodity Y. Then under free trade, [   ]

   A. If B produces both X and Y in positive quantities, then A must be producing only X.
   B. A produces only X and B produces only Y.
   C. Each of countries A and B produces some positive quantities of both X and Y.
   D. If A produces only X then B must be producing both X and Y in positive quantities.

6) One of the important works which influenced Gandhi's economic thought was : [   ]

   A. The Wealth of Nations
   B. The General Theory of Employment, Interest and Money
   C. Unto This Last
   D. Das Capital

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7) Consider a consumer in a market situation, where the economy has 2-commodities. Let her demand be $x_1 = (11, 15)$ when price is $p_1 = (5, 4)$. Now, consider alternative scenarios for the same consumer showing demand x_2 at another price p_2 as specified in the scenario. Identify the scenario for which the Weak Axiom of Revealed Preference (WARP) holds:

[   ]

   A. Suppose demand is $x_2 = (10, 16)$ at price $p_2 = (5, 5)$.
   B. Suppose demand is $x_2 = (12, 13)$ at price $p_2 = (4, 5)$.
   C. Both of the above.
   D. None of the above.

8) Asymmetric information may give rise to:

[   ]

   A. Adverse selection.
   B. Moral hazard.
   C. Both of the above.
   D. None of the above.

9) The argument "some men are immortal. Gandhi is a man. Therefore Gandhi is immortal" is invalid because

[   ]

   A. One of the premises is false
   B. The conclusion is false
   C. The conclusion does not follow from the premises
   D. None of the above

10) Given the inverse demand function as: $p = 100.q^{-2}$, where $p > 0$ and $q > 0$, p is price and q is corresponding demand. Which among the following is true for the absolute value of the price elasticity of demand, e_p ?

[   ]

   A. e_p does not change with change in price.
   B. e_p increases as price is increased.
   C. e_p decreases as price is increased.
   D. e_p increases as price is increased so long as $p < 50$ and decreases for $p \geq 50$.

11) Consider 2- person (A and B), 2-good (X and Y) society. A's consumption is $(25, 33)$ and B's consumption is $(19, 44)$. At this consumption level, A is indifferent between 2 additional units of X or 3 additional units of Y and B is indifferent between 3 additional units of X and 2 additional units of Y. Then, this allocation

[   ]

   A. is in the core but is not Pareto optimal.
   B. is not in the core but is Pareto optimal.
   C. is Pareto optimal
   D. is neither in the core nor Pareto optimal.

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12) Which among the following has been cause of much public concern in recent months?

[   ]

   A. Wage inflation
   B. Food price inflation
   C. Asset price inflation
   D. Construction material price inflation

13) No valid argument

[   ]

   A. Can have false premise/s
   B. Can have false conclusion
   C. Can have neither false premise/s nor false conclusion
   D. Can have true premise/s along with false conclusion

14) A group of economists is working on incorporating environmental costs while assessing economic performance (p). As environmental costs of any economic activity are spread over time, they wish to use appropriate rate of discount (r). Assuming that there are some environmental costs to every economic activity,

[   ]

   A. value of p is reduced as r is decreased.
   B. value of p is reduced as r is increased.
   C. value of p does not depend on r but only on actual physical environmental damage
   D. as r is raised, value of p first goes down, then goes up.

15) In the year 2009 we celebrated the centenary of the work –

[   ]

   A. Hind Swaraj
   B. An Autobiography Or The Story of My Experiments With Truth
   C. Poverty and Un-British Rule in India
   D. Geetanjali

16) Given sets A = { 1 }; B = { 0 } ; C = { φ }, where φ is a null set,

[   ]

   A. C is a null set.
   B. C is a subset of A
   C. B < A
   D. A, B, C have the same number of subsets.

17) 'Truth' for Gandhi

[   ]

   A. Was accurate description of facts
   B. Was a value to be pursued for its own sake
   C. Was a demand of expediency
   D. Maximises social utility

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18) According to the Tendualkar Committee recommended procedure, the Head Count Ratio (HCR) measures of poverty for years 1993-94 and 2004-05 suggest that :

[   ]

   A. There are more poor persons in India in 2004-05 than previously officially estimated, but the extent of poverty (HCR) did decline significantly compared to the same in 1993-94.
   B. There are more poor persons in India in 2004-05 than previously officially estimated, and the extent of poverty (HCR) has increased compared to the same in 1993-94.
   C. There are less poor persons in India in 2004-05 than previously officially estimated, and the extent of poverty (HCR) has remained more or less the same as in 1993-94.
   D. There are more poor persons in India in 2004-05 than previously officially estimated, and the extent of poverty (HCR) has remained more or less the same as in 1993-94.

19) A monopolist faces a cost function $c = 20.q^2$ and a demand function $q = 80 - 0.2\,p$. The commodity is such that it can be produced and sold only in whole numbers. Of course the monopolist may choose not to produce at all, in which case no cost is incurred. Then profit maximizing output is:

[   ]

   A. 3
   B. 4
   C. 5
   D. 0

20) x and y are two irrational numbers. Then,

[   ]

   A. xy must necessarily be an irrational number
   B. x/y must necessarily be an irrational number
   C. x+y must necessarily be an irrational number
   D. x − y can be a rational number.

21) The term "usury" refers to:

[   ]

   A. charging of interest on a loan
   B. charging of high interest on a loan
   C. charging of low interest on a loan
   D. usurping others' rights over their assets.

22) Given a statement "All students saw movie 'My Name is Khan'", negation of this statement is:

[   ]

   A. No student saw movie 'My Name is Khan'.
   B. Some student did not see movie 'My Name is Khan'
   C. Some students saw movie 'My Name is Khan'
   D. All students stayed away from seeing movie 'My Name is Khan'

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23) According to Adam Smith,

[   ]

A. rate of interest is comparatively high in rich and growing societies
B. rate of interest is comparatively high in poor and stagnating societies
C. rate of interest is comparatively high where banking is well established
D. rate of interest is comparatively high where the moneylenders are well entrenched

24) The current rate of savings (GDS) in the Indian economy as a proportion of GDP is in the region of :

[   ]

A. 23 – 25 %
B. 18 – 22 %
C. Above 30 %
D. 26 – 29 %

25) 'Swaraj' according to Gandhi is

[   ]

A. Political independence
B. Social justice
C. Liberal democracy
D. Self-rule

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PART – B   (5x10 Marks)

<u>Instructions and Notes:</u>

1. There are 9 questions in this part.

2. Each question carries 10 marks.

3. Question 1 is compulsory.

4. Answer any 4 questions from the rest (Questions 2 to 9).

5. Each question is to be answered only in the space provided for that question.

6. Answers are expected to be precise and to the point. The candidates are advised to avoid writing irrelevant and repetitive details.

7. The main emphasis in evaluation will be on the nature and content of the argument presented in support of the answer and <u>not</u> the length of the answer.

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Q.1. Complete the following by filling the blank spaces with relevant information:

a) Currently India's foreign trade is approximately _____ % of world trade.

b) The UN Climate Change Conference, 2009 was held at _____

between _____ December and _____ December 2009.

c) India's geographical area is _____ mha and its arable area is approximately _____ mha.

d) Real GDP of India grew by _____ % during 2008–09 over the preceding year.

e) Rate of inflation based on WPI during April-May 2010 has been around _____ %.

f) _____ is the eighth member state the Regional Block SAARC.

g) The largest wheat producing state in India is _____ .

h) The Union budget for 2010-11 has provided Rs. _____ crore for Mahatma Gandhi National Rural Employment Guarantee Scheme.

i) Dr. _____ is the present Chairperson of the Planning Commission of India.

j) In a village of 135 households (HHs), the mean HH income is 400 and variance of HH income is 25600. The government decides to augment income of every HH by 100. Then the coefficient of variation _____ by _____ %.

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Q.2. What does the theory of trusteeship aim to achieve and what are the main hurdles in achieving those aims?

Ans.2.

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Ans.2.

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Q.3. Briefly state (in one paragraph each) : (a) the main cause(s) of fluctuations in aggregate output according to rational expectations hypothesis (REH); (b) the current criticisms of REH; and (c) your view of this criticism.

Ans.3.

Ans.3.

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Q.4. "By relating Economics with Ethics, Gandhi makes Economics unscientific. After all, science is value free." What is your response?

Ans.4.

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Q.5. There is a monopolist producer of a commodity Y using a single input X. Quantity of output is denoted by y and of input by x and the corresponding prices are p and q respectively. The production function is $y = 5.\sqrt{x}$. The market demand for commodity Y is given by $y = 135 - 5p$ and unit price of input X depends on amount of x purchased as follows: $q = 1 + \sqrt{x}$. What is the best (profit maximizing) plan for the monopolist?

Ans.5.

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Q.6. (a) Define inflation. (b) How may episodes of high inflation impact on aggregate economic activity? (c) What are possible distributional consequences of episodes of high inflation?

Ans.6.

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Q.7. What, in your view, are 2 or 3 most important factors responsible for the world economic "crisis" which set in from late 2008? Explain as briefly and as precisely as you can, the mechanism through which these factors contributed to this crisis.

Ans.7.

Q.8. It is asserted that the market allocations are not Pareto optimal in presence of externality in either production or in consumption. What is the nature of deviation from optimal allocation in presence of positive externality in production and how do you explain this deviation? Only provide your arguments and no mathematical derivations are required.

Ans.8.

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Q.9.   Consider an economy of H consumers, J producers and L commodities.   Every consumption, x, is an L-vector with inputs as +ve numbers and outputs (of labour services) as –ve numbers. Similarly, every production, y is an L-vector with outputs as +ve numbers and inputs as –ve numbers. Let Y be set of all possible productions for the economy as a whole (i.e. $Y = {}_{j=1}\sum^{J} Y_j$, where Y_j is set of all possible productions for the firm j). There is a consumer, h, with initial endowment e_h; whose consumption possibility set X_h is closed, convex and bounded from below; who has strongly convex and well–ordered preferences; and who has a unique bliss point, x'_h (defined as a commodity bundle from X_h that is strictly preferred over all other commodity bundles from it), such that $x'_h > e_h + y$ for all y ∈ Y. Prove that demand of this consumer for any price $p = (p_1, p_2, \ldots \ldots , p_L)$ where $p_l > 0$ for $l = 1, 2, \ldots , L$, lies on the budget hyperplane (equivalent of budget line in more than 2 dimensional case), irrespective of how the profits from production are distributed among consumers, so long as every firm makes +ve profits, however small, at price, p.

Ans.9.

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