# Entrance Examinations – 2018
# M.A. Economics

**Hall Ticket Number**

Time: 2 hours
Max. Marks: 100

Part A: 25 Marks
Part B: 75 Marks

## INSTRUCTIONS

1. Write your Hall Ticket Number on the OMR Answer Sheet given to you. Also write the Hall Ticket Number in the space provided above.

2. Answers are to be marked on the OMR answer sheet.

3. Please read the instructions carefully before marking your answers on the OMR answer sheet.

4. Handover the OMR answer sheet after the examination to the Invigilator.

5. There are plain sheets in the booklet for rough work, no additional sheets will be provided.

6. Use of non-programmable calculators is allowed.

7. There are a total of 100 questions in this paper: **Part A** (25 questions) and **Part B** (75 questions).

8. Each question has only one correct option. There is negative marking. For each question the correct answer gets 1 (ONE) mark and a wrong answer gets – 0.33 marks.

9. The appropriate answer should be coloured with either a blue or a black ball point or a sketch pen. DO NOT USE A PENCIL.

10. The question paper contains **19** pages including the cover page and pages for rough work (pages **17** to **19**).

11. The question papers can be taken by the candidates at the end of the examination.

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## Part A

1. Pure theory of international trade aims at
    A. explanation of international values
    B. explanation of pattern of trade
    C. explanation of welfare gains through trade rather than autarky
    D. all of the above

2. If the actual unemployment rate is below the natural rate of unemployment, it would be expected that
    A. the rate of inflation would increase
    B. the Phillips curve would shift to the left
    C. wages would fall
    D. the natural rate of unemployment would fall

3. Labour Embodied and Labour Commanded as determining value of a commodity was proposed by which of the following scholars?
    A. Aristotle
    B. Thomas Aquinas
    C. Adam Smith
    D. Malthus

4. To sell commodities at their cost of production in competitive markets and yet be able to make a surplus over and above cost of production as a contradiction in the general formula of capital has been identified by which of the following scholars?
    A. David Ricardo
    B. Thomas Piketty
    C. Joseph Stiglitz
    D. Karl Marx

5. MNREGA assures a minimum of 100 days of employment to
    A. every rural household who asks for it
    B. every rural person below poverty line
    C. every poor person in both rural and urban areas
    D. every adult who can work

6. Which of the following sectors have attracted maximum share of FDI in India in the last two decades
    A. aviation sector
    B. automobile sector
    C. telecom sector
    D. IT sector

7. The distinguishing feature that determines whether an analysis is Classical or Keynesian Economics is
    A. the speed of price adjustment
    B. the slope of the aggregate demand curve
    C. the degree of monopoly power in the economy
    D. the assumption about the transmission mechanism of monetary policy

8. According to Keynesians, the primary reason money is not neutral is
    A. rational expectations
    B. price stickiness
    C. reverse causation
    D. None of the above

9. In the Cambridge version of quantity theory of money, in the equation $M_D = K.PY$, K is
    A. the inverse of the income velocity of money
    B. the income velocity of money
    C. the inverse of transaction velocity of money
    D. the transaction velocity of money

10. The condition for sustainable public debt is
    A. zero fiscal deficit
    B. zero revenue deficit
    C. public expenditure keeps pace with GDP growth
    D. real rate of interest be lower than the real rate of growth

11. One of the consequences of Lewis's model is
    A. the modern sector increases its output share relative to the traditional sector
    B. agricultural sector uses modern equipment
    C. agricultural sector hires labour economically
    D. modern manufacturing sector is labour-intensive

12. Keynes's description of the whimsical investment attitudes of entreprenures, sometimes optimistic, sometimes pessimistic is called
    A. optimal decision making
    B. animal spirits
    C. rationality behaviour
    . D. ideal solution

13. When economists refer to "tight" monetary policy, they mean that the central bank is taking actions that will
    A. increase the demand for money
    B. decrease the demand for money
    C. expand the supply of money
    D. contract the supply of money

14. National income accounting
    A. provides a set of rules for determining macroeconomic policy
    B. provides a set of rules and definitions for measuring economic activity in the aggregate economy
    C. is a useful tool for microeconomists
    D. can be used to measure a nation's output, but not its production or consumption

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15. To calculate nominal GDP (Gross Domestic Product), we
    A. sum the quantity of all final goods and services produced in an economy in a year
    B. sum the quantity of all goods and services sold in an economy in a year
    C. weight the output of each final good and service produced in an economy in a year by its current year price and then sum the result
    D. weight the output of each good and service produced in an economy in a year by its base year price, and then sum the result

16. In India, employment is measured by what is known as 'usual status employment', which is defined as
    A. a worker is usually employed in a year
    B. a worker is usually employed but occasionally be unemployed
    C. a worker is employed for not less than six months in that year
    D. a worker is employed less than six months in that year

17. Which of the following commodity is currently kept out of the coverage of Goods and Services tax (GST)?
    A. metals and metal products
    B. petroleum, diesel and lubricants
    C. textiles and Fibres
    D. pharmaceuticals

18. The natural rate of unemployment is generally thought of as the
    A. ratio of the frictional unemployment rate to the cyclical unemployment rate
    B. sum of structural unemployment and cyclical unemployment
    C. sum of frictional unemployment and cyclical unemployment
    D. sum of frictional unemployment and structural unemployment

19. A market demand curve can be derived by adding all the individual demand curves
    A. vertically
    B. horizontally
    C. in parallel
    D. none of the above

20. Greater accuracy of estimation of parameters from sample data (i.e., smaller size of confidence interval), is obtained, if,
    A. lower significance level is required
    B. higher is the relevant population variance
    C. higher significance level is accepted
    D. both A and B above

21. If the average-cost function is AC = $Q^2 - 4Q + 214$, then the given function is more appropriate as a
    A. long-run function
    B. short-run function
    C. both short-run and long run functions
    D. can not determine

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22. What is $a$, if $\begin{bmatrix} 1 & 4 \\ 2 & a \end{bmatrix}$ is a singular matrix?

   A. 5
   B. 6
   C. 7
   D. 8

23. In a two sector model, if the MPC is 0.6, the Keynesian multiplier is
   A. 3.0
   B. 2.5
   C. 3.5
   D. 2.0

24. At any given point on an indifference curve, the absolute value of the slope equals
   A. unity-otherwise there would be no indifference
   B. the marginal rate of substitution
   C. the consumer's marginal utility
   D. none of the above

25. If $h(x) = f(g(x))$ then $h'(x)$ is

   A. $f(g(x)) g'(x)$
   B. $g'(x) f(x)$
   C. $f'(g(x)) g'(x)$
   D. $f'(g(x))$

## Part B

26. When prices are $(p_1, p_2) = (1,2)$ a consumer demands $(x_1,x_2) = (1,2)$, and when prices are $(p_1, p_2) = (2,1)$ the consumer demands $(x_1,x_2) = (2,1)$. Is this behavior consistent with the model of maximizing behavior?
   A. the consumer violates the Weak Axiom of Revealed Preference (WARP)
   B. no violations of WARP
   C. cannot say
   D. not enough data

27. The production function: $Y = f(L, K) = 3KL$ exhibits
   A. increasing Returns to Scale
   B. decreasing Returns to Scale
   C. constant Returns to Scale
   D. difficult to estimate

28. How the following production functions differ from each other?

$Q = f(L, K) = 0.68 L^{0.64} K^{0.26}$

$Q = f(L, K) = 0.42 L^{0.64} K^{0.26}$

    A. in terms of Inputs

    B. in terms of Factor intensity

    C. in terms of Efficiency of production

    D. in terms of Returns to scale

29. A firm has a production function $y = x_1 x_2$. If the minimum cost of production for any level of output y, at $P_1 = P_2 = 1$ is equal to 4, what is y equal to?

    A. 0

    B. 2

    C. 4

    D. 8

30. If the demand curves for a monopolist's commodity are identical in two separate markets, then, by practicing third-degree price discrimination, the monopolist

    A. will increase total revenue and total profits

    B. can increase total revenue and total profits

    C. cannot increase total revenue and total profits

    D. will charge a different price in different markets

31. Consider two economies that are identical, with the exception that one has a high marginal propensity to consume (MPC) and one has a low MPC. If the money supply is increased by the same amount in each economy, other things remaining constant, the high MPC economy will experience

    A. a larger increase in output and a smaller decrease in the interest rate

    B. a smaller increase in output and a smaller decrease in the interest rate

    C. a larger increase in output and a larger decrease in the interest rate

    D. a smaller increase in output and a larger decrease in the interest rate

32. Suppose that investment (I) in the goods market is not responsive to the interest rate. Then

    A. the IS curve is a vertical line and monetary policy is very effective in raising output

    B. the IS curve is a horizontal line and monetary policy is very effective in raising output

    C. the IS curve is a vertical line and monetary policy does not affect output in the IS-LM model

    D. the IS curve is a horizontal line and monetary policy does not affect output in the IS-LM model

33. If the interest rate is raised in India than in UK, then

    A. the rupee is expected to appreciate with respect to the pound

    B. the pound is expected to appreciate with respect to the rupee

    C. the interest rate in the India is expected to increase

    D. the interest rate in the India is expected to decrease

34. Which of the following statements on the calculation of the consumer price index using the Laspeyres index is correct:
   A. the weights in the CPI basket are constant and reflect the composition of the goods and services produced in the economy during the base year
   B. the weights in the CPI basket are constant and reflect the composition of the household consumption during the base year correct
   C. the weights in the CPI basket are constant and reflect the composition of the goods and services produced in the economy during the current year
   D. the weights in the CPI basket change from year to year and reflect the composition of the household consumption during the current year

35. Assume that banks are subject to a 10 percent reserve requirement and that they do not hold voluntary reserves. Also assume that agents do not hold cash but keep all their money in deposits. By how much would the money stock (M1) grow after the central bank conducts an open-market operation in which it buys government bonds for a value of 100?
   A. 100
   B. 1000
   C. 10000
   D. 00

36. The function $f(x) = x^2 - 12x + 36x$ will attain a ......... at when x = 6
   A. maximum
   B. minimum
   C. point of inflection
   D. none of the above

37. If $Z = 3Y^2$ where $Y = 2X + 5$, then differentiation of Z with respect to X is equal to
   A. 6X + 5
   B. X + 25
   C. 3X
   D. 12(2X + 5)

38. Given the function $f(x_1, x_2) = x_1^3 - 6x_1x_2 - x_2^2$, the second order own partial derivative ($f_{22}$) is equal to
   A. + 2
   B. − 2
   C. $6x_1$
   D. $6x_1 - 2x_2$

39. Total revenue (TR) and total cost (TC) functions of a simple monopolist are assumed to be $TR = 100q - 3q^2$ and $TC = 4q^2 + 10q$ respectively. At what level of output q, the total profit of the monopolist will be maximum?
   A. 6.4
   B. 289
   C. 14
   D. 100

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40. When the technological progress occurs, it
    A. shifts the production curve upward, which implies that with the same level of inputs, one can produce more output
    B. shifts the production curve downward, which implies that with the same level of inputs, one can produce more output
    C. shifts the isoquant upward, which implies that a produce a given level of output, we need less inputs
    D. shifts the isoquant downward, which implies that a produce a given level of output, we need more inputs

41. The cross-price elasticity of demand between products in a perfect competition is
    A. exactly one or unitary
    B. zero
    C. perfectly elastic
    D. perfectly inelastic

42. Engel's law indicates that as income increases
    A. the proportion of income spent on manufactured goods rises and on primary products falls
    B. the proportion of income spent on consumer goods rises and on capital products falls
    C. the proportion of income spent on consumer, capital and necessity goods rises
    D. the proportion of income spent on giffen goods rises

43. Which of the following is a true statement?
    A. in general, total profit of firms under cartel is higher than in Cournot nash equilibrium
    B. in general, total profit of firms under cartel is lower than in Cournot nash equilibrium
    C. a cartel acts a competitive firm
    D. none of the above

44. Which is true about the problems of moral hazard and adverse selection in Economics?
    A. both problems of moral hazard and adverse selection occur due to full information between buyers and sellers
    B. moral hazard is due to hidden information and adverse selection is due to hidden action
    C. moral hazard occurs due to hidden action and adverse selection due to hidden information
    D. in both situations of moral hazard and adverse selection, both buyers and sellers Gain

45. A type I error is made when
    A. the null hypothesis is accepted when it is true
    B. the null hypothesis is accepted when it is false
    C. the null hypothesis is rejected when it is true
    D. the alternative hypothesis is accepted when it is false

46. Which one of the following is a relative measure of dispersion?
    A. standard deviation
    B. Variance
    C. co-efficient of variation
    D. none of the above

47. For a consumer having the total utility function $U(x_1, x_2) = x_1^{0.25} x_2^{0.75}$, with $p_1 = 2$ and $p_2 = 5$ being prices of commodities $x_1$ and $x_2$, and a given income of 100, the quantities of demand for commodity $x_2$ and $x_1$ are given by:
    A. $x_2 = 12.5$ and $x_1 = 10$
    B. $x_2 = 15$ and $x_1 = 12.5$
    C. $x_2 = 10$ and $x_1 = 12.5$
    D. $x_2 = 10$ and $x_1 = 10$

48. Which of the following has the lowest elasticity of supply?
    A. luxury items
    B. necessities
    C. perishable goods
    D. Items that have the least budgetary allocation

49. If the marginal utilities of A and B are 300 and 450, and the price of B is Rs 60, what will be the price of A if the consumer equilibrium is maintained?
    A. Rs 30
    B. Rs 35.
    C. Rs 40
    D. Rs 45

50. For complementary goods, the cross elasticity of demand will be
    A. Zero
    B. Infinity
    . C. Positive but less than infinity
    D. Negative

51. Ranbaxy produces 2 life-saving drugs, A and B. There are several close substitutes for A but B has no substitutes. If Ranbaxy wants to increase its sales revenue, then it will normally
    A. increase the price of A but not B
    B. increase the price of B but not of A
    C. increase the price of A and lower the price of B
    D. lower the price of both A and B

52. According to traditional theory, the long-run average cost (LAC) curve is U-shaped because
    A. the cost of raw-materials increases with expansion of output
    B. it becomes increasingly difficult to hire labor at prevailing wage rate
    C. managerial diseconomies occur after a certain level of output
    D. the technology becomes cost ineffective at larger output

53. According to Ricardo, rent is high because
    A. price of output is high
    B. wage is high
    C. profit is high
    D. interest rate is high

54. In the Harrod growth model, the equilibrium growth rate is determined by
    A. rate of investment to incremental capital-output ratio
    B. rate of savings to incremental capital-labour ratio
    C. rate of savings to incremental capital-output ratio
    D. product of rate of savings and incremental capital-labour ratio

55. In the Solow growth model, equilibrium growth is stable because of
    A. constant proportional relation between capital-labour ratio and rate of profit-wage
       rate ratio
    B. increasing proportional relation between capital-labour ratio and rate of profit-
       wage rate ratio
    C. direct relation between capital-labour ratio and rate of profit-wage rate ratio
    D. inverse relation between capital-labour ratio and rate of profit-wage rate ratio

56. In the classical theory of employment, Savings and Investment are brought into
    equilibrium through
    A. changes in Prices
    B. changes in interest rate
    C. changes in wage rate
    D. changes in Income

57. Which Nobel laureate economist recently resigned as the chief economist of the World
    Bank
    A. Joseph Stiglitz
    B. Paul Krugman
    C. Paul Romer
    D. Robert Lucas

58. In Development Economics, who first put forward the Big Push Theory
    A. Albert O. Hirschman
    B. Gunnar Myrdal
    C. Charles P. Kindleberger
    D. Paul Rosenstein-Rodan

59. In India, under the Goods and Services Tax (GST), currently how many tax slabs are
    there
    A. 3
    B. 4
    C. 5
    D. 6

60. In India, under the Companies Act, 2013, what is the minimum amount that large companies must spend at least as part of Corporate Social Responsibility?
    A. 1 percent of the Average net profit during the three immediately preceding financial years
    B. 2 percent of the Average net profit during the three immediately preceding financial years
    C. 4 percent of the Average net profit during the three immediately preceding financial years
    D. 5 percent of the Average net profit during the three immediately preceding financial year

61. Which one of the following conditions is assumed by Euler in his adding up theorem? Elasticity of substitution is:
    A. equal to zero
    B. greater than zero but less than one
    C. greater than one
    D. infinite

62. The right hand tail of a frequency distribution is found to the mirror image of the left-hand tail. The distribution is:
    A. positively skewed
    B. negatively skewed
    C. asymmetric
    D. symmetric

63. Which of the following is true with respect to the production function $Y = AL^{\alpha}K^{1-\alpha}$, (where $\alpha$ is between 0 and 1)?
    A. production function Increasing Return to scale
    B. diminishing Return to scale
    C. it is a homogeneous production function of degree One
    D. it is a homogeneous production function of degree zero

64. ·A shut down point is point where
    A. marginal cost curve meets the average variable cost curve
    B. MC curve meets the AC curve
    C. MC curve meets the demand curve
    D. fixed cost curve is tangential to MC curve

65. Which of the following would cause disequilibrium in the balance of payments?
    1. the change in the level of domestic demand
    2. variations in the degree of Inflation
    3. international capital flows

    Select the correct answer using the codes given above:
    A. 1, 2 and 3
    B. 1 and 2
    C. 2 and 3
    D. 1 and 3

66. The marginal product of labour in the production of computer chips is 100 chips per hour. The marginal rate of technical substitution of hours of labour for hours of machine capital is 0.5. What is the marginal product of capital?
   A. 200
   B. 100
   C. 150
   D. 175

67. For events A and B, it has been reported by an investigator that probabilities P(A) = 0.6, P(B) = 0.4, and conditional probability P(B|A) = 0.75. Then what can be said about conditional probability P(A|B)?

   A. P(A|B) = P(A)/P(B|A) = 0.8
   B. P(A|B) = P(B)/P(A) = 2/3
   C. P(A|B) = 1 – P(B|A) = 0.25
   D. The reported data on probabilities is inconsistent

68. Let X, Y, Z be random variables with Y = a.X + b, where a < 0. Let $r_{xy}$ represent the correlation coefficient between X and Y, and similarly for $r_{yz}$ and for $r_{xz}$. Then,
   A. $r_{xy} = r_{yz}$
   B. $r_{xz} = r_{yz}$
   C. $r_{xy} = -r_{yz}$
   D. $r_{xz} = -r_{yz}$

69. Consider independent events A and B, such that P(A) > 0, and P(B) > 0. Then,
   A. P(A ∪ B) = P(A) + P(B)
   B. P(A ∪ B) = P(A).P(B)
   C. P(A ∩ B) = P(A) + P(B)
   D. P(A ∩ B) = P(A).P(B)

70. Three fair coins are tossed simultaneously. Then,
   A. P(a "Tails" occurs | a "Heads" has occurred) > P(a "Tails" occurs | second toss was a "Heads")
   B. P(a "Tails" occurs | a "Heads" has occurred) < P(a "Tails" occurs | second toss was a "Heads")
   C. P(a "Tails" occurs | a "Heads" has occurred) = P(a "Tails" occurs | second toss was a "Heads")
   D. these two conditional probabilities can not be compared

71. Pigou effect, which counters the Keynesian unemployment equilibrium, occurs through
   A. money illusion
   B. wealth effect of nominal balances
   C. marginal efficiency of capital
   D. speculative demand for money

72. The economist associated with the method of partial equilibrium is
   A. Leon Walras
   B. Adam Smith
   C. Alfred Marshall
   D. Frank Knight

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73. The economy is in a steady state if it
   A. grows at a constant rate
   B. displays no change in structure
   C. A and B
   D. none of the above

74. The problem of the movement of the economy from one steady state to another is known as
   A. traverse
   B. turnpikes
   C. golden age
   D. stationary state

75. Harrod's warranted rate of growth is the rate
   A. which equals population growth
   B. at which there is no deficiency of aggregate demand
   C. which equals the maximum rate of growth
   D. which equals the long-term trend of growth

76. The total fertility rate (TFR) is the
   A. total number of children born in a country in a given year divided by labour force.
   B. number of children born to the average woman during her reproductive years.
   C. number of births in a country divided by total population in a given year.
   D. number of women age 15-45 in a country divided by total population.

77. Incidence of which of the following taxes can be shifted?
   A. direct tax
   B. indirect tax
   C. capital-gains tax
   D. income tax

78. In a system of value added tax, price of a commodity
   A. includes input taxes
   B. does not include input taxes
   C. includes surcharge on inputs
   D. none of the above

79. Which statement describes the crowding-out hypothesis in public finance?
   A. too much private investments due to high interest rates
   B. public investment is supplementary to private investment
   C. public investment displaces private investment
   D. public investment encourages private investment

80. In an economy, if the marginal propensity to consume is 0.75 and the government expenditure is increased by rupees 20 crores, then the national income will increase by
   A. Rupees 15 crores
   B. Rupees 60 crores
   C. Rupees 80 crores
   D. None of the above

81. In general, ............ is regressive in nature.
    A. indirect tax
    B. direct tax
    C. income tax
    D. wealth tax

82. The table below shows the maximum number of apples or bananas that person "X" and person "Y" can produce using all of their time and resources.

|   | Apples | Bananas |
|---|--------|---------|
| X | 10 | 50 |
| Y | 30 | 30 |

    What is X's opportunity cost of producing 1 apple? What is Y's opportunity cost of producing 1 apple?
    A. X: 1 banana; Y: 1 banana
    B. X: 1 banana; Y: 5 bananas
    C. X: 5 bananas; Y: 5 bananas
    D. X: 5 bananas; Y: 1 banana

83. Refer to the table in Question 82. Who has a comparative advantage in producing apples? Who has a comparative advantage in producing bananas?
    A. Apples: Y; Bananas: X
    B. Apples: X; Bananas: Y
    C. Apples: X; Bananas: X
    D. Apples: Y; Bananas: Y

84. Which of the following best describes a country's trade deficit?
    A. the amount of money the country owes to foreign countries
    B. the value of a country's total imports minus the value of its total exports
    C. the difference between the country's absolute advantage in producing a good and the absolute advantage of other countries in the world market
    D. the amount of money the country earns on export

85. If the rate of inflation in India increases relative to the rate of inflation in Canada, then which of the following will occur?
    A. a depreciation of the Canadian dollar
    B. a decrease in the relative cost of Indian goods
    C. an increase in the relative cost of Canadian goods
    D. a depreciation of Indian rupee

86. The infant industry arguments refers to a tariff designed to
    A. help foreign industries establish themselves in the local market
    B. protect young manufacturing products from foreign competition
    C. help consumers enjoy a variety of products in the local market
    D. provide incentives for established local manufacturing firms to venture in foreign markets

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87. Political economy recognizes
    A. the economy to be a circular process with surplus
    B. social classes and relations
    C. history and institutions
    D. all of the above

88. According to the critics of Free Trade theory, the primary reason why many underdeveloped countries continued to be economically poor because:
    A. They did not indulge in free trade
    B. They indulged in import substitution
    C. They followed fixed exchange rates
    D. They remained primary commodity exporters

89. Albert Otto Hirschman, the famous development theorist of 'unbalanced growth' built his argument on the basis of
    A. Savings-investment balance
    B. Vicious circle of poverty
    C. Big Push
    D. Forward and Backward Linkages

90. Disguised unemployment is a phenomenon which usually exists in
    A. Organized sector
    B. Self-employed activities
    C. Low skilled manufacturing
    D. Construction sector

91. The Head Count Index of poverty measures
    A. Prevalence of poverty
    B. Depth of poverty
    C. Severity of poverty
    D. Relative poverty

92. In critical minimum theory, Leibenstein has assigned great importance to_____ as an endogenous variable
    A. Per capita income
    B. Population
    C. Technological progress
    D. Capital

93. Rostow's economic stages are
    A. Pre-condition for take-off, traditional society, take off, drive to maturity, age of high mass consumption
    B. Traditional society, pre-condition for take-off, take off, drive to maturity, age of high mass consumption
    C. Traditional society, pre-condition for take-off, drive to maturity, take off, age of high mass consumption
    D. pre-condition for take-off, take off, Traditional society, drive to maturity, age of high mass consumption

94. Demographic dividend refers to a rise in population
    A. in the age group of 1 to 14 years
    B. in the age group of 15 to 64 years
    C. in the age group of 65 to 74 years
    D. Above 74 years

95. Using the cost of a similar market basket of goods across countries to compare an economic variable like Gross National Income applies the concept of
    A. Private equity financing
    B. The Heritage Foundation Index of Economic Freedom
    C. The Gini Index
    D. Purchasing power parity

96. The input-output table, when divided vertically, shows
    A. the inputs to each industry from other industries and sectors
    B. development planning and the required information on national income growth
    C. the planned public capital divided by feasible actual industrial projects public capital
    D. how the output of each industry is distributed within the sectors of the economy

97. The commodity terms of trade equals the
    A. (exports prices minus import prices)/ exchange rates
    B. exchange rates of country $i$ divided by exchange rates of country $j$
    C. external balances/ balance of payments
    D. price index of exports divided by the price index of imports

98. According to Harris and Todaro, creating urban jobs by expanding industrial output
    A. is insufficient for solving the urban unemployment problem
    B. will generate capital-intensive technologies
    C. will generate more government revenue through urban wages
    D. induces government to increase minimum wages

99. Select the statement that is most appropriate. Monetary policy under full capital mobility............
    A. Simultaneously steers the policy interest rate and hard peg domestic currency
    B. Be autonomous, if the exchange rate is floating
    C. Targets the nominal exchange rate only
    D. Only be based on monetary targeting

100. Suppose the expected inflation rate is 8 percent and the unemployment rate is 3 percent. If the inflation rate rises to 10 percent and the expected inflation rate does not change,
    A. The short-run Philips curve will shift upward
    B. The natural unemployment rate will rise
    C. There will be a movement along the short-run Philips curve
    D. The short-run Philips curve will shift upward

---X---