

**School of Humanities and Social Sciences**  
**Indian Institute of Technology Indore**  
**Development Economics**  
**(IHS 422/622)**  
**End-Semester Examination**

Duration: 3 hours  
Time: 02.30 pm-05.30 pm

Maximum Marks: 40  
**Date: November 27, 2021**

**I. Write the correct option.**

*[1X12=12 Marks]*

1. Examination of recent data for many countries shows that countries with high saving rates generally have high levels of output per person because:
  - A. high saving rates mean permanently higher growth rates of output
  - B. high saving rates lead to high levels of capital per worker
  - C. countries with high levels of output per worker can afford to save a lot
  - D. countries with large amounts of natural resources have both high output levels and high saving rates
2. The Solow growth model describes:
  - A. how output is determined at a point in time
  - B. how output is determined with fixed amounts of capital and labor
  - C. how saving, population growth, and technological change affect output over time
  - D. the static allocation, production, and distribution of the economy's output
3. In an economy with no population growth and no technological change, steady-state consumption is at its greatest possible level when the marginal product of:
  - A. labor equals the marginal product of capital
  - B. labor equals the depreciation rate
  - C. capital equals the depreciation rate
  - D. capital equals zero
4. In a steady state with population growth and technological progress:
  - A. the capital share of income increases
  - B. the labor share of income increases
  - C. in some cases, the capital share of income increases and sometimes the labor share increases
  - D. the capital and labor shares of income are constant
5. According to the supply side of the vicious circle theory of development, a country is poor because
  - A. technology levels do not allow for self-sufficiency

- B. it was previously too poor to save and invest
  - C. underemployment is too widespread
  - D. resource allocation is poor
6. The Lewis model explains how growth gets started in a less developed economy
- A. with an average product of labor in agriculture that is negative
  - B. with a downward-sloping supply curve of labor
  - C. with a marginal productivity of labor zero or negligible in industry
  - D. with a traditional agricultural sector and an industrial capitalist sector
7. Disguised unemployment is
- A. when marginal revenue productivity of labor is zero
  - B. the same as seasonal unemployment of LDC agricultural
  - C. the rigid factor proportions in LDC agriculture and industry
  - D. due to capital formation and the level of technology remaining constant
8. Technical advance involves
- A. the development of pure science, invention, innovation, financing the innovation, and the innovation's acceptance
  - B. introducing new products, modifying production functions, creating credit, and making profits
  - C. innovation, investment, credit creation, and economic growth
  - D. patent management, resource gains, mature innovation, and speculative gains
9. Progress that meets the needs of the present without compromising the ability of future generations to meet their own needs is
- A. the tragedy of commons
  - B. sustainable development
  - C. net primary productivity (NPP)
  - D. the impossibility theorem
10. Negative externality is also known as
- A. external diseconomies
  - B. marginal damage
  - C. public goods
  - D. resource curse
11. Low productivity of agriculture in India is not caused by:
- A. Inadequate availability of inputs
  - B. Subdivision of land holdings
  - C. Less area under cultivation
  - D. Poor finance facilities

12. The incremental capital-output ratio (ICOR) refers to the
- A. Ratio of investment to change in output
  - B. Ratio of capital stock to the total output
  - C. Marginal productivity of capital
  - D. Relationship between investment that is financed by the citizens of a country and the income enjoyed by them

**II. Write a short note on the following (any four):** *[2.5X4=10 Marks]*

- 1. Sustainable development
- 2. Environmental accounting
- 3. Junking ratio
- 4. Vicious circles of poverty
- 5. Full Employment growth-rate
- 6. Role of innovation in economic development

**III. Differentiate between the following (any four):** *[2.5X4=10 Marks]*

(Explain with examples and/or diagram if needed)

- 1. Golden-edge equilibrium and Knife-edge equilibrium
- 2. Actual Growth, Warranted Growth and Natural Growth
- 3. Stage of drive to maturity and Stage of high mass consumption
- 4. Balanced growth and Unbalanced growth
- 5. Poverty and Multidimensional Poverty (MDP)
- 6. Head Count Ratio and Poverty Gap

**IV. Answer the following with examples (any two):** *[4X2=8 Marks]*

- 1. How far Lewis's theory is applicable to a developing country like India? Explain its limitation.
- 2. Explain the assumptions and significance of Solow model. Discuss how Solow growth model is superior over Harrod-Domar model.
- 3. Discuss the strength and weakness of Romer model of endogenous growth. How does it contribute in confronting development problem in developing countries?
- 4. Explain interlinkage between environment and development; what are the issues and challenges that most of the developing countries face in this context.

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