



DOON UNIVERSITY, DEHRADUN
Mid Semester Examination, 2014

Department of Economics
M.Sc. Fifth Semester
SSEI-310: Economic Growth

Time Allowed: 2 hrs.

Max. Marks: 30

Note: Attempt All Questions from Sections A,B,C.

SECTION : A

All questions are compulsory and carry equal marks.

Answer TRUE and FALSE and give reason for your answer

(Marks: 2x3=6)

1. Capital accumulation results when some proportion of present income is saved and invested in order to augment future output and income.
2. Harrod-Domar growth model states that in the absence of government, the growth rate of national income will be directly or positively related to the savings ratio and inversely related to the economy's capital-output ratio.
3. Economic growth is an essential component but not the only component.

SECTION : B

Answer any THREE.

(Marks: 3x4=12)

1. Define economic growth. How is economic development different from economic growth?
2. How can you classify technological progress? Discuss.
3. Define and derive the actual rate of growth as given by Harrod.
4. Define warranted rate of growth. Derive the fundamental equation for warranted rate of growth.

SECTION : C

Answer any ONE.

(Marks: 1x12=12)

1. State Domar growth model. Given the proportion of saving as 0.2 and the marginal productivity of capital as 0.25, what will be the full employment equilibrium rate of investment according to Domar? Further assuming the capital stock at ₹ 1600 and investment at ₹ 80, show that the aggregate demand of the economy will be equal to the productive capacity at the full employment-equilibrium as stated by Domar. **(2+1+9)**
2. Discuss Solow's contribution to growth. Use suitable examples and diagrams wherever necessary.