SEM 4: MACRO

PRACTICE SET 2

1. From 1980 to 1990, real GDP in India grew by 5.8 percent per annum, while investmentaveraged 23.1 percent of GDP. What was the ICOR for India between 1980 and 1990?
2. In Indonesia during the 1970s the incremental capital-output ratio (ICOR) averaged 2.50.
   a. Using the Harrod-Domar growth equation, what saving rate would have been required forIndonesia to achieve an aggregate growth rate of 8 percent per annum?
   b. With the same ICOR, what growth target could be achieved with a saving rate of 27percent?
   c. If there is a large increase in the saving rate, and therefore a large increase in the amount ofnew capital formation, is the ICOR likely to rise, fall, or remain the same? Explain.
3. label the following statements as **True, False or Uncertain**
   (a) According to the Harrod–Domar model a higher savings rate increases the rate of growth ofper capita income.
   (b) In the Solow model with exogenous population growth, per capita income grows at the rateof population growth.
   (c) If we control for differences in the rate of population growth and savings then conditionalconvergence predicts the long–run growth rates of all countries will be the same.
   (d) A production function written as $Y = K^{\alpha}L^{\beta}$ exhibits constant returns to scale.

M.C.Q.

4. In Harrod-Domer models, ‘over- production’ is a condition where
   A. All producers are producing too much
   B. All producers are producing less than the warranted output
   C. All producers are producing more than the warranted output
   D. Where excess capacity exists
5. The growth of population is realted to-
   a. Natural rate of growth
   b. Actual rate of growth
   c. Warranted rate of growth
6. Which one of the following is not an assumption of H-D model
   a. Mps is greater than aps
   b. Mps and aps are equal
   c. There is no depriciation of capital goods

    d. None of the above
7. H-D growth model the growth is-
    a. Directly related to savings ratio and inversely related to the capital-output ratio
    b. Directly related to savings ratio the capital-output ratio
    c. Directly related to the capital-output ratio and inversely related to savings ratio
    d. None of the above
8. H-D growth model is based on the experiences of
    a. Underdeveloped economies
    b. Advanced capitalist economies
    c. Developed economies
    d. Socialist economies
9. Which one of the following growth model was the basis of planning strategy of the first five-year plan
    a. Solow
    b. Harrod- Domar
    c. Kaldor
    d. Mahalanobis two sector growth model
10. Solow model is a major improvement over
    a. Harrod-Domae
    b. J. Robinson
    c. J.E. Meade
    d. None