

**ASSAM JUDICIAL SERVICE (GRADE-I) PRELIMINARY
EXAMINATION, 2011**

TOTAL MARKS = 100
All questions carry equal marks

QUESTIONS

Many of the underdeveloped countries will promote the growth of their economies in one way or another no matter whether they receive substantial outside aid in the process or not. The character of that development, however, is likely to be strongly influenced by the types and amounts of aid available. The outcome is much more likely to be favourable, from the standpoint of the objectives for successful development set up previously, if there is substantial international aid than if there is not. By substantial aid I mean not only large amounts of technical assistance but also of capital. Initially, the capacity of an underdeveloped country to use capital productively may be surprisingly small – limited by lack of organization, trained personnel, and other social obstacles. At this stage technical assistance is its main need from outside, with comparatively small amounts of capital, much of which may have to be in the form of grants for non self-liquidating projects in education, health, access roads to rural areas, and the like, if at this stage, substantial capital is available from outside to supplement what can be formed internally (and to stimulate internal capital formation, for it does that too) the rate of economic growth can be considerably increased, and the strains and frustrations and political risks of the development process are likely to be considerably less.

It is possible for underdeveloped economies to modernize themselves with very little capital from outside. Japan's import of capital was small, though some of it came at crucial times. The contribution of foreign direct investments to the advancement of technical know-how, also was greater than would be indicated merely by the size of the investment. The Soviet Union industrialized its economy with practically no aid from foreign investment capital except for the foreign-owned installations confiscated after the

revolution, though it imported machinery in the early days on short-term or intermediate-term credits and hired services of foreign experts. Both Japan and Russia achieved their development in an authoritarian political and social framework. The outcome in both cases, from standpoint of the peace of the world and democratic ideals, was highly unfavourable.

In the absence of outside aid, the only way to accumulate capital is to increase production without taking much of the benefit in more consumption, or even while pushing consumption standards down. Where the people are already near the subsistence level this may mean extreme hardship. Somehow the people must be motivated to change their accustomed ways quickly, to work hard, and to forego present consumption so that capital investment can be made.

1. The passage says
 - (a) Without foreign aid no underdeveloped country can grow.
 - (b) Underdeveloped countries must refrain from seeking foreign aid.
 - (c) The economies of underdeveloped countries are more likely to grow faster with substantial foreign aid than without.
 - (d) Underdeveloped countries are economically backward because their governments have not got their priorities right.

2. Substantial aid in this context means
 - (a) Technical assistance in the form of trained personnel.
 - (b) Capital in the form of bank loans and overdrafts.
 - (c) Large amounts of technical assistance and capital.
 - (d) A cheap and plentiful supply of labour.

3. The availability of substantial capital from outside
 - (a) Can help to stimulate internal capital formation.
 - (b) Does encourage wasteful tendencies.
 - (c) Seldom helps to accelerate the rate of international growth.
 - (d) Tends to discourage local capital formation.

4. The passage says that
 - (a) Japan imported substantial capital before it became modernized.
 - (b) The Soviet Union industrialized its economy with plenty of foreign investment capital.
 - (c) Japan rejected offers of substantial foreign capital investment at the early stages of its economic development.
 - (d) In the early days of its economic development the Soviet Union imported machinery on short-term or intermediate-term credits and hired foreign experts.

