

Examrace

Theory of Big Push: By Rosenstein Rodan; A Theory of Balanced Growth

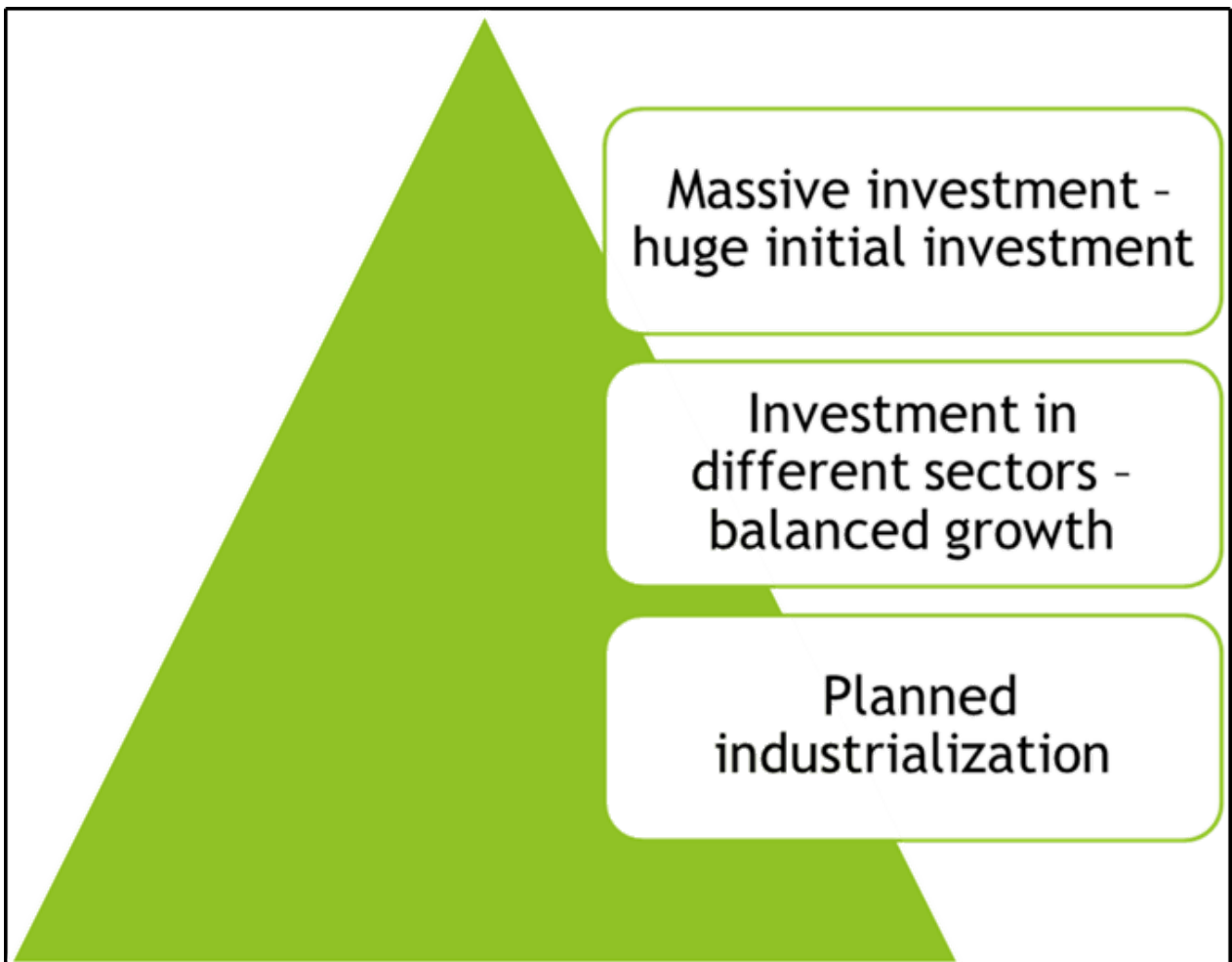
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Theory of Big Push: By Rosenstein Rodan; A Theory of Balanced Growth (Economics)

Rationale Behind the Theory

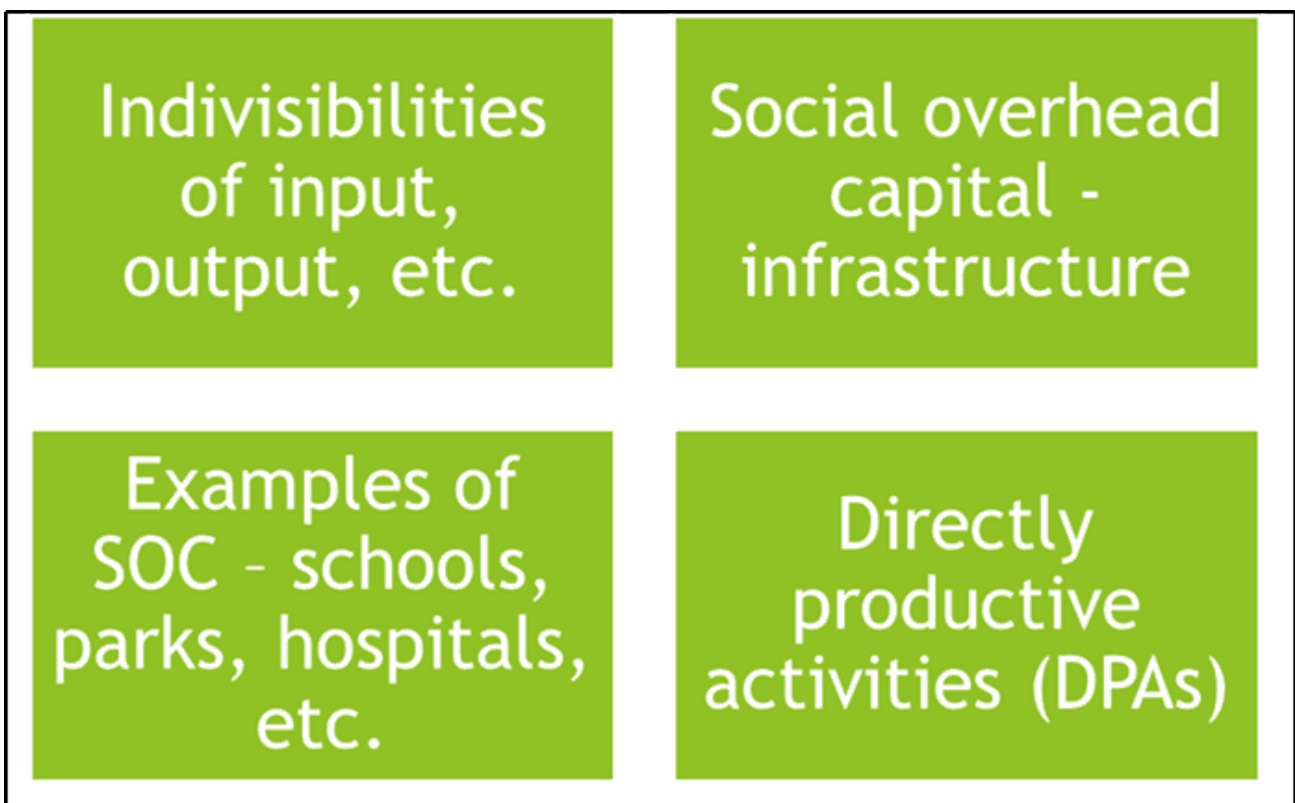
- Bit by bit approach – a mere wastage of resources
- Small investment cannot break the vicious cycle
- Based on the idea of external economies
- External economies are unpaid benefits which go to third parties
- External economies benefit all the firms in industry
- For example, Shoe factory

Features of the Big Push Theory



Three Kinds of Indivisibilities and Economies

1. Indivisibilities in production function



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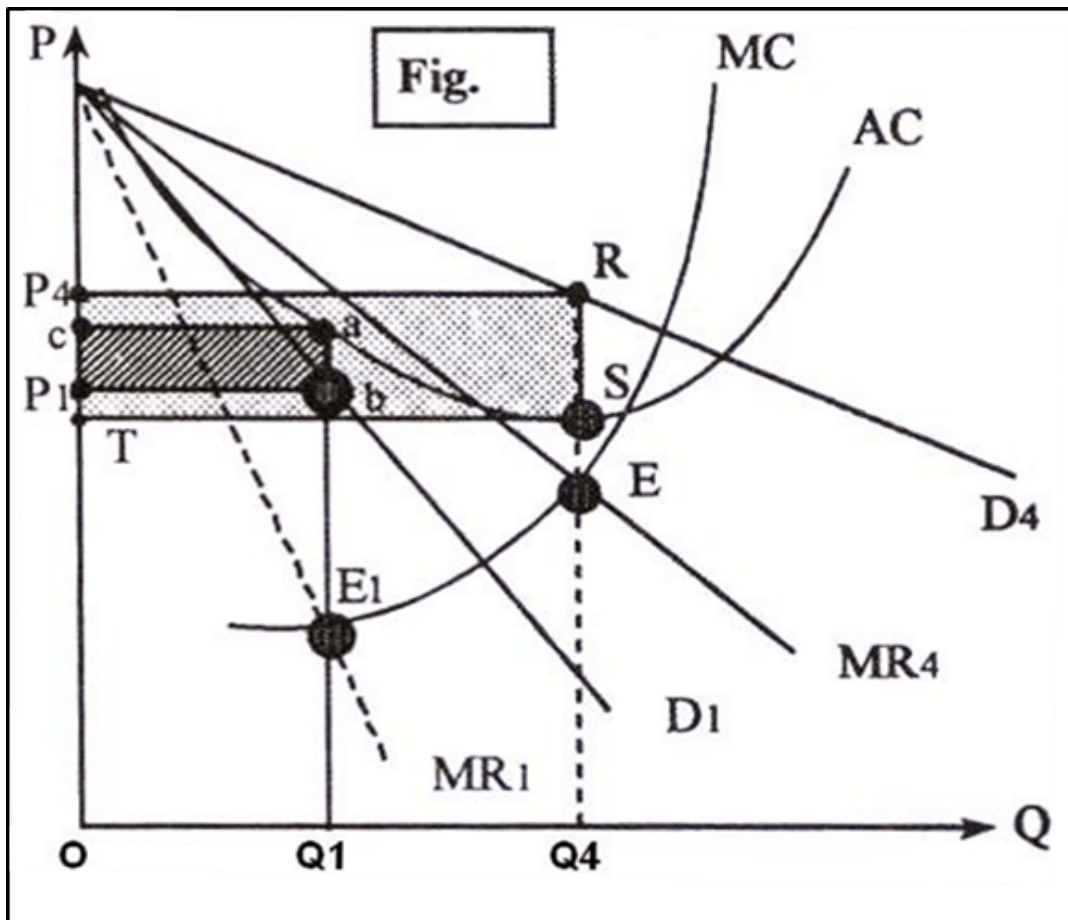
Indivisibilities of Creating Socs

- Indivisibility of time
- Indivisibility of durability
- Indivisibility of long gestation periods

- Indivisibility of an irreducible industry mix of public utilities

2. Indivisibilities of demand

- Complementarity of demand
- Small market size in UDCs – expansion of market size



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Example – shoe factory

3. Indivisibilities of supply of savings

- Low level of savings in UDCs and LDCs
- Huge investment will cause rise in incomes
- To increase savings, MPS must be greater than APS

MCQs

Q. 1. The theory of big push is based on which of the following ideas?

- A. Internal economies of scale
- B. Small amount of investment
- C. External economies of scale
- D. Unbalanced growth

Answer: C

Q. 2. Which of the following is not one of the three indivisibilities in the big push theory?

- A. Indivisibility of supply of savings
- B. Indivisibility in investment function
- C. Indivisibility in production function
- D. Indivisibility of demand

Answer: B

Q. 3. External economy refers to:

- A. Gains or benefits that come from outside the country
- B. Additional gains that arise within a firm
- C. Huge initial investment
- D. Unpaid benefits which arise from expansion and go to third parties

Answer: D

Q. 4. In indivisibilities of supply of savings,

- A. MPS must be greater than APS
- B. MPS must be equal to APS
- C. MPS must be smaller than APS
- D. The value of MPS and APS must be equal to 1

Answer: A

#ugcnet

#economics

#bigpushtheory

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