



SPRING END SEMESTER EXAMINATION-2024

4th Semester B.Tech

ECONOMICS OF DEVELOPMENT

HS20120

(For 2022 & Previous Admitted Batches)

Time: 2 Hours 30 Minutes

Full Marks: 50

Answer any FIVE questions.

Question paper consists of two SECTIONS i.e. A and B.

Section A is compulsory.

Attempt any Four question from Sections B.

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable and all parts of a question should be answered at one place only.

SECTION-A

1. Answer the following questions: [1 × 10]
- (a) What do you mean by economic growth of a country?
 - (b) Write the significant indicators of Physical Quality Life Index (PQLI).
 - (c) Define the concept 'Sustainable Development'.
 - (d) What is the fundamental argument of Prebisch-Singer thesis?
 - (e) Has the debt problems of less developed countries resulted in the secular deterioration in terms of trade in these countries? Write two justifications in support of your answer.
 - (f) Specify two important efforts of World Trade Organisation (WTO) to prove that it does global trade development.

- (g) How can one country achieve a stronger spread effect for its economic development?
- (h) What does the population-environment linkage refer to?
- (i) What is the essential objective of Earth Hour?
- (j) What does the Global Hunger Index (GHI) indicate?

SECTION-B

2. (a) From the following report about four countries, calculate their Human Development Index (HDI) and classify them into Very High, High, Medium or Low development countries. [5]

Countries	Life Expectancy at birth (years) 2021-22	Expected years of schooling (years) 2021-22	Mean years of schooling (years) 2021-22	Gross National Income per Capita (\$)
Singapore	82.8	16.5	11.9	90,919
Mongolia	71.0	15.0	9.4	10,588
Namibia	59.3	11.9	7.2	8634
Zambia	61.2	10.9	7.2	3218

Given:

<u>Indicators</u>	<u>Min. Value</u>	<u>Max. Value</u>
Life Expectancy at birth (years)	20	85
Expected years of schooling (years)	0	18
Mean years of schooling (years)	0	15
GNI per Capita (\$)	100	75000

- (b) (i) Draw the Lorenz curve for a country A on the basis of the following income distribution and estimate the Gini coefficient [5]

Cumulative % of population:	20	40	60	80	100
Cumulative % of income:	20	40	60	80	100

(ii) On the same figure draw the Lorenz curve for Ukraine and Namibia where Gini coefficients remained at 0.256 and 0.591 respectively. Between these two countries where you observe a greater equal opportunities for its citizens. Which country according to you should urgently increase its average spending on public infrastructures, services and welfare schemes that benefit all citizens regardless of their economic standings and why?

3. (a) Adam Smith was among the first classical economist of his time to declare that wealth is created through productive labour and the self interest motivates people to put their resources to the best use. He viewed the government regulations as potentially detrimental to economic growth. In the Wealth of Nations Smith argued that wealth existed in the value a commercial society created through production and trade. Smith's ideas formed the basis for how most countries determine their Wealth to this day. He established the concepts of specialization and division of labour and pleaded for a macro approach to economic development. Smith's Laissez-Faire approach to economic policy in the 18th century came at the time when government discouraged the international trade. On this backdrop, do a precise submission of the following ideas of Adam Smith

- Increasing Return
- Free Trade
- Trade Cycle

Are these determinants of Adam Smith on economic development influencing the policy makers of developing countries for accelerating their pace of development?

- (b) WW.Rostow has put emphasis on social and institutional factors as important elements of economic development. His growth theory has largely influenced the field of development economics. Rostow's doctrine describes the transition from underdevelopment to development in terms of a series of linear stages of varying length. His ideas rest on the fact that agriculture has to supply more food to the growing towns and out of large incomes that are yielded by increased agricultural productivity must come an expanding market for manufactures and a large flow of savings. He argued that economic growth was a multi-staged process stimulated by a wide spread desire for improvement of life as well as the search for profits. On this background, explain the stages of economic growth as propounded by Rostow. Write your impression about this growth model to be used as a guide for underdeveloped countries. [5]

4. (a) International trade is associated to exports or imports at least between two different countries. Taking all the developing countries together it is not true that the world as a whole is methodically polarized into two camps i.e developing countries producing and exporting only primary products and developed countries producing and exporting only manufactured goods. In effect, a good amount of trade in both manufactures and primary products goes on among developing and developed countries alike. Historically, trade has acted as a powerful engine of economic growth both for developing and developed countries. In the nineteenth century the demand for food and raw materials in Europe and in Britain brought prosperity to [5]

countries such as Canada, Argentina, South Arica, Australia and New Zealand. Alfred Marshall, an English neoclassical economist rightly wrote “the causes which determine the economic progress of nations belong to the study of international trade.” With this notion, bring your arguments to advocate that your country should engage in international trade for achieving economic growth.

- (b) Gunnar Myrdal is best known in development economics for his challenge to equilibrium theory and the notion of “circular and cumulative causation”. Myrdal was opposed to the neoclassical equilibrium theory and argued that the forces of demand and supply will interact with each other to produce cumulative movements away from the spatial equilibrium. His ideas of economic underdevelopment and development are centered around regional inequalities on the national and international levels. Myrdal’s model is one of many that can be used to understand the perpetuation of development gap and the divergence between the centre and the periphery countries. Myrdal considers that the existence of dualism not only retards the development of backward regions but also slows up the development of the whole economy. In this context, explain the Myrdal concept of circular and cumulative causation in terms of Backwash effect and spread effect. Is your government creating enough infrastructures for reducing the regional inequalities? [5]

5. (a) We should be aware of the environmental issues as our environment is constantly changing. Various environmental protection programmes are practiced at the individual, organizational and governmental levels with the aim of establishing a balance between man and environment. Much of the concern over environmental issues arises from the fear that we may reach a limit to the number of people whose needs can be met by earth’s [5]

finite resources. Some economists argue that this fear is unfounded as technological innovations can fulfill the needs of the growing population. Currently Bangalore is facing worsening water crisis putting India's IT capital high and dry. Explosive growth of the IT capital has resulted in the concretization of natural landscape that reduces the ground water recharge leading to less water percolation. The notable environmental activist Sonam Wangchuk's concerns on climate fast is an opportunity to look at Ladakh's delicate future. It is argued that economic growth and development has caused serious environmental damages and that the current state of environment will constrain the future economic development. Based on this discussion, you address the population-Environment linkages and their implications for economic development.

- (b) Externalities pose fundamental economic policy problems when individuals, households and firms do not internalize the indirect costs and benefits from their economic transactions. The resulting wedges between social and private costs or returns lead to inefficient market outcomes. In some cases they may prevent markets from emerging. Although there is market based corrective solutions, government interventions is often required to ensure that benefits and costs are fully internalized. Consumption, production and investment decisions of individuals, households and firms often affect people not directly involved in the transactions. Those effects are sometimes tiny. But when they are large they can become problematic. The main reasons of government interventions in the economic sphere are the externalities. Most externalities fall into the category of so-called technical externalities but the price of the product does not take those externalities into account. As a result, there are differences between private returns or costs and the returns or costs to society as a whole. On these evidences, explain positive

[5]

externalities and negative externalities with four suitable empirical examples from each. Suggest two potential measures to your government that could address negative externalities.

6. (a) Sustainable development has perhaps become the most important approach to considering the environment and development. The World Development Report is advocating for widening the horizon of sustainable development from sustainable economic development to sustainable human development to have its long term implications. Sustainable development has become a standard model for thinking about the environment, development and the economy. The United Nations 2005 World Summit reaffirmed its commitment to achieve the goal of sustainable development in its three components i.e. economic development, social development and environmental protection. The new Sustainable Development Goals (SDGs) which outmoded the Millennium Development Goals (MDGs) are an important set of policy objectives across a wide range of economic, social and environmental contexts. The present pattern of economic growth may seriously degrade the environment and may be unsustainable, as the environment can't support economic growth forever. Many economists are concerned that past and present economic policies have usually been connected with providing equilibrium economic growth and have not attempted to the existence of ecological conditions required to support the human life at a specified level of well-being through future generations. You being a development economist write the last eight SDGs with their specific targets that leave no one behind in the development process. Bring out two achievements of our country in this direction. [5]

- (b) Poverty and hunger are two significant global issues that affected the developed and developing countries alike. Hunger and malnutrition resulting from poverty can lead to multiple health problems. They also restrict the access to education. Poverty and hunger are influenced by complex socioeconomic factors. Addressing these interconnected issues need coordinated efforts at local, national and global levels to bring more resilient communities. Holistic and sustainable solutions addressing economic, social, environmental and political dimensions are the need of the hour. Illustrate the dimensions and indicators of Multidimensional Poverty Index (MPI) and Global Hunger Index (GHI) as you realize the importance of addressing these issues.
