

**Minor 2, HUL 216 Indian Economic Problems and Policies**

6 October, 2013.

Instructions: Question 1 is compulsory. Answer any one of Question 2 or Question 3.

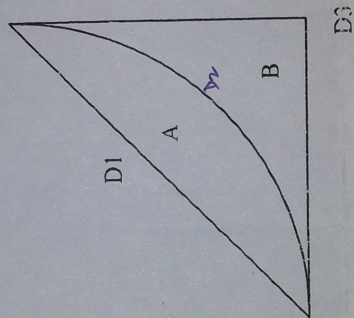
1. Construct three income distributions, D1, D2 and D3, with income distribution data for five quintiles, such that  
[12 marks]

(a) compared to the baseline distribution (D1), D2 illustrates clear Lorenz domination over D1

(b) the third, D3, where it is not possible to say whether it Lorenz dominates D1.

(c) Draw the Lorenz curve for all three distributions. Clearly label each distribution, D1, D2 and D3 on the Lorenz curve.

(d) Now think of the diagram below. Think of D1, D2 and D3 as three different Lorenz curves. Which is the most equal, which is the most unequal? Now, "A" and "B" are the area under the curve, and A+B is the total area of the triangle. Can you now express the Gini coefficient in terms of A and B?



2. Who are the various stakeholders in the retail sector. In theory, what are the mechanisms through which they could be (a) positively or (b) negatively affected by allowing FDI in retail. [Please use only one sheet - max, both sides.]

3. Between the 50<sup>th</sup> round and the 55<sup>th</sup> round, according to the government, there was a marked decline in the head count ratio in India. However this claim has been disputed. (a) On what grounds are these claims disputed? (b) Several economists have tried to correct these poverty estimates. Explain briefly, what any two have suggested. [Please use only one sheet - max, both sides.]