

MINOR 2: HUL 316 INDIAN ECONOMIC PROBLEMS AND POLICIES (7th October, 2016)

Instructions: Pick the correct option. Each question carries one mark, unless specified otherwise. (20 marks)

1. State true or false. (2 marks, 0.5 each)
- (a) According to Drèze and Sen, private provision of basic services is always more efficient than public provision, because competition creates a strong pressure to cut costs and improve quality. *False*
 - (b) Consumer sovereignty is the idea that people are best judges of their own interest and their choices should be accepted as they are. *True*
 - (c) Since independence, poverty decline has accelerated as growth has accelerated in India. *False*
 - (d) Increases in income or education in India are often associated with a decline in women's workforce participation. *True*
2. List any two problems with per capita income in US dollars as a measure of development.
3. Targeting, as a social policy, has been quite problematic in India because
- (a) Identifying the population to be targeted (e.g. BPL households) is extremely difficult.
 - (b) Targeting is very divisive.
 - (c) Both (a) and (b)
 - (d) None of the above
4. The human development index (HDI) is calculated on the basis of a country's
- (a) Per capita income, life expectancy, infant mortality.
 - (b) Per capita income, life expectancy, literacy.
 - (c) Per capita income, life expectancy, educational attainment
 - (d) Life expectancy, infant mortality, literacy.
5. According to Drèze and Sen, the larger incidence of mortality of female children over male is largely attributed to
- (a) Female infanticide
 - (b) Inequality in healthcare and nutrition considerations.
 - (c) Both (a) and (b)
 - (d) None of the above.
6. Poverty measures based on income or consumption are problematic because
- (a) Survey designs vary between countries, making comparisons difficult.
 - (b) Poverty estimates are sensitive to the assumptions that are made while converting the information on consumption and income to measures of well-being.
 - (c) They cannot reveal inequalities within households, thereby underestimating overall poverty and inequality.
 - (d) All of the above.
7. The policy, based on principles of universalism and self-selection, has done well in which of the following public programmes in India?
- (a) Midday meal programme
 - (b) National rural employment guarantee (NREGA)
 - (c) Public distribution system (PDS)
 - (d) Only (a) and (b)
8. The impression that India is not 'particularly unequal' in terms of income distribution compared to other countries is flawed because
- (a) The distribution of per capita expenditure across the world tends to be more unequal than that of per capita income (pci).
 - (b) The distribution of per capita expenditure across the world tends to be less unequal than that of pci.
 - (c) The distribution of per capita expenditure across the world tends to be equal to that of pci.

being manufactured in India was also allowed.

- (d) None of the above.
9. State two difficulties regarding market-based provision of basic services (like healthcare etc). [2 marks]
10. What is the main source of controversy with the data on consumption expenditure in the 55th (1999-2000) round of the NSS. [2 marks]
11. Why have some suggested that the use of NAS data help us understand the true decline in poverty? What are the limitations of using NAS data to understand the decline in poverty? [2 marks]
12. Why are agricultural wages considered a valid proxy for poverty? What does the data on agricultural wages tell us about the rate of poverty decline through the 1980s and 1990s? [2 marks]
13. Use the data tables below to describe the main highlights of the experience with reduction of poverty and inequality in Brazil, China and India. [4 marks]

Gini Coefficient and Head-Count Ratio

	1981	1993	2005	2011/13 (PPP\$1.9)
Brazil	57.5 (17)	59.7 (13)	57.6 (8)	4.8
China	29.1 (84)	35.5 (54)	42 (16)	(11.2)
India	35.1 (60)	30.8 (49)	33.4 (42)	(21.3)

Rate of change

	1981-1993		1993-2005		1981-2005	
	HCR	GDP	HCR	GDP	HCR	GDP
Brazil	2.3	0.2	4.2	1.3	3.2	0.8
China	3.7	8.9	9.5	8.7	6.6	8.8
India	1.6	2.9	1.4	4.8	1.5	3.9

OR

14. Construct three income distributions, D1, D2 and D3, with income distribution data for five quintiles, such that
- (a) compared to the baseline distribution (D1), D2 illustrates clear Lorenz domination over D1 [1 mark]
- (b) the third, D3, where it is not possible to say whether it Lorenz dominates D1. [1 mark]
- (c) 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 marks]

