

Instructor: Upasna Sharma

$$25 \times 0.5 = 12.5$$

Total marks: 15

Given below are 30 multiple choice questions. Please tick mark the relevant option(s) out of the choices provided. Each question is for 0.5 marks. If a question has multiple options as the answer then you would be given a credit of 0.5 marks if you have marked exactly the correct number of options. In case you have marked less or more than the correct number of options then no mark will be credited to you for that question.

1. The Human Development Index (HDI) summarizes development performance in a single composite index, combining
 - a. Longevity, education and living standard
 - b. Disparity reduction rate, human resource development rate and the composite index
 - c. Human resource training, development and R&D.
 - d. Minimum schooling, adult literacy and tertiary educational attainment
2. In the new HDI following changes have been included compared to the old HDI:
 - a. Gross Domestic Product per capita (GDP) replaced Gross National Income (GNI) per capita
 - b. Average actual educational attainment and expected average educational attainment has been added.
 - c. Literacy and enrolment have been dropped.
 - d. All of the above
3. The use of geometric mean in the New HDI is an improvement over the arithmetic mean in the of the old HDI because it allows for perfect substitutability of indicators
 - a. True
 - b. False
4. Economic growth is necessary and sufficient to eradicate most of absolute poverty.
 - a. True
 - b. False
5. Purchasing power parity refers to:
 - a. Adjusting gross domestic product per capita to reflect differences in the cost of living for each country.
 - b. The amount of annual income the average individual makes in each country.
 - c. The differences between individuals' earnings within each country.
 - d. The total income each country produces.

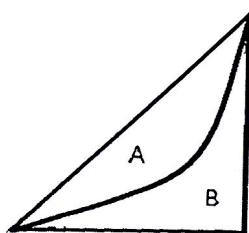
6. All but one of the following are methods to represent overall income inequality, please mark the one:

- a. Gini coefficient
- b. Ratio of the top income decile to the lowest income decile
- c. Lorenz curve
- d. GDP per capita

7. If Lorenz curves cross, we say there is less inequality in the case where

- a. The poorer get a larger percentage of income
- b. The poorer get a smaller percentage of income
- c. The richer are less rich
- d. We cannot say

8. Refer to the diagram below and answer, the Gini coefficient is:



- a. $A/(A+B)$
- b. $B/(B+A)$
- c. A/B
- d. $(A+B)/A$

9. Which of the following statements about the Lorenz curve graph is correct?

- a. The diagonal in the graph is the line of perfect inequality.
- b. The diagonal in the graph indicates the position of the Lorenz curve if income were distributed perfectly equally.
- c. The diagonal in the graph represents the Gini coefficient.
- d. The diagonal in the graph measures the poverty rate and is also known as the poverty line.

10. One study found that the Gini coefficient for Egypt .403 was virtually the same as that for Australia .404. From this information one can conclude that Egypt and Australia

- a. Had virtually the same number of households in absolute poverty.
- b. Had virtually the same percentage of households in absolute poverty.
- c. Had virtually the same Human Development Index level.
- d. Had virtually the same levels of relative inequality in incomes.

11. If the Gini coefficient of a society is equal to zero, what does that indicate?

- a. The society has no data for calculating Gini coefficient
- b. There is no income disparity in the society
- c. Only one person possesses all income in the society
- d. No one has any income in the society

12. One of the four highly desirable properties of inequality and poverty measures is 'scale independence'. It states that:

- a. The measure of inequality/poverty should not depend on the size of the economy or the way we measure its income
- b. The measure of inequality should not be based on the number of income recipients.
- c. The measure of inequality should not depend on who has the higher income
- d. None of the above

13. Which of the principle/s is/are not satisfied by Poverty gap index:

- a. Anonymity principle
- b. Population independence
- c. Monotonicity principle
- d. Distributional sensitivity principle
- e. None of the above

14. If the distribution of income in country A is (1, 2, 2, 3, 5) and the poverty line is 2.5, the headcount ratio (in percent terms) would be:

- a. 40
- b. 3
- c. 2
- d. 60

$$\frac{3}{8} \times 100$$



15. If the distribution of income in country A is (1, 2, 2, 3, 5) and the poverty line is 2.5, the average income shortfall measure tells us the average depth of poverty among the poor is

- a. $\frac{5}{6}$
- b. $\frac{5}{2}$
- c. 2
- d. 0

$$\begin{aligned} AIS &= \frac{\sum_{i=1}^n (Y_p - Y_i)}{H_i} \\ &= \frac{1}{3} (\frac{1.5 + 0.5 + 0.5}{2.5}) = \frac{2.5}{3} = \frac{5}{6} \end{aligned}$$

$\frac{5}{6}$.

16. If the distribution of income in country C is (1, 2, 2, 3, 5), and in country D it is (1, 1, 2, 3, 5), and the poverty line in both countries is 2.5, by the average income shortfall measure which country has more poverty?

- a. C
- b. D
- c. Poverty is the same in C and D
- d. We cannot tell from the information given



17. The Foster-Greer-Thorbecke (FGT) metric is a generalized measure of poverty within an economy of the form:

$$P_\alpha = \frac{1}{N} \sum_{i=1}^H \left[\left(\frac{Y_p - Y_i}{Y_p} \right)^\alpha \right]$$

where Y_p is an agreed upon poverty line, N is the number of people in an economy, H is the number of poor (those with incomes at or below Y_p), Y_i are individual incomes and α is a "sensitivity" parameter. Choose the correct option(s):

- a. If α is low then the FGT metric weights all the individuals with incomes below Y_p roughly the same.
- b. If α is high, those with the lowest incomes (farthest below Y_p) are given more weight in the measure.
- c. None of the above

18. Extreme inequality is bad for the economy because it leads to economic inefficiency in the following ways:

- a. Overall rate of saving in the economy tends to be lower
- b. Higher the inequality, the smaller the fraction of the population that qualifies for a loan or other credit.
- c. Leads to efficient allocation of assets in the economy
- d. None of the above

19. Choose the incorrect statement/s if any:

- a. Kuznet curve is a graphical technique that can be used to show the degree of inequality that exist between two variables
- b. In order to maintain higher rates of growth increased inequality has to be accepted
- c. Kuznet curve is a data driven phenomenon
- d. The Kuznet curve represents n-shaped relation between GNI per capita and level of development
- e. Kuznet curve can be U-shaped.
- f. None of the above.

20. Dual economies implies:

- a. Countries with double capital and labor.
- b. Countries with a modern manufacturing sector as well as traditional agriculture sector.
- c. Countries that specialize in labor-intensive products more than capital-intensive products.
- d. Countries with foreign-owned and domestically-owned capital.

21. Choose the incorrect statement/s if any:
- a. A country with Lorenz curve nearer to the straight line necessarily represents more equal society
 - b. The higher the Multi-dimensional Poverty Index higher is the inequality
 - c. PPP exchange rates capture the differences between cost of given bundle of goods and services in different countries.
 - d. None of the above

22. The term Trickle Down means:
- a. That economic growth needs agency to bring benefits to the poor.
 - b. That economic growth will eventually (and automatically) bring benefits to the poor.
 - c. That government will distribute the benefit of growth
 - d. None of the above

23. Mark each of the following statements as True or False:
- a. Poverty and inequality reinforces each other. True.
 - b. Multidimensionality of deprivation amplifies existing poverty True.
 - c. As the value of Multi-dimensional Poverty Index (MPI) tends to 0 poverty index improves True.
 - d. The MPI is a direct measure of poverty False.

24. Consider the Foster-Greer-Thorbecke (FGT) index of poverty, and choose the right statement/s:
- a. It does not satisfy principle of monotonicity
 - b. It can be equal to Headcount
 - c. It puts greater weight on the poverty of poor people
 - d. It is a measure absolute poverty
 - e. It takes value between 0 and 1
 - f. None of the above

25. What remains constant when measuring poverty?
- a. The population of the poor
 - b. The poverty line
 - c. The nutritional intake of the poor
 - d. Health standards

26. What according to Amartya Sen is most important when evaluating development?
- a. Capability to accumulate wealth
 - b. Capability to redistribute wealth
 - c. Capability to serve society
 - d. Capability to function

27. What according to Amartya Sen is insufficient to measure capability?
- a. Inherited wealth and ability to govern
 - b. Income and utility
 - c. Satisfaction with life chances
 - d. Ability to generate profit

28. Income and commodities serve as material basis for achieving various functionings. However, Sen identifies at least five different sources of variations between the income available to a person and the functionings that the person can achieve with them. Which of them are the sources of variation that Sen identified:

- a. Personal heterogeneities, such as those connected with disability, illness, age, or gender
- b. Variations in social climate, such as the prevalence of crime and violence, and "social capital"
- c. Distribution within the family
- d. Only 'a' and 'c'

29. For Multidimensional Poverty Index, at what level is the data gathered?

- a. Individual level
- b. Household level
- c. Community level
- d. Village level

30. What are the indicators of education when using the Multidimensional Poverty Index?

- a. Whether every child finishes school at age seventeen
- b. Whether even one household member has completed five years of schooling
- c. Whether any school-age child is out of school for grades one through eight
- d. Whether every child is enrolled in school from age five onwards