

**M.Phil./Ph.D. PROGRAMME IN ECONOMICS**

**Term-End Examination**

**December, 2014**

00221

**RECE-001 : DEVELOPMENT ECONOMICS**

*Time : 3 hours*

*Maximum Marks : 100*

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**SECTION A**

*Answer any two questions from this section.*

*2×20=40*

1. Describe the relationship between population growth and urban population growth in India. How much of urban growth is accounted for by migration from rural areas ? What are the main determinants of rural-urban migration ? What is the role of economic policy in determining the equilibrium level of rural-urban migration ? 20
2. Recent years have seen numerous efforts to understand 'poverty' more deeply as well as to analyze the relationships between growth, inequality, and poverty. What are the methodological issues in measuring poverty ? How is the Multidimensional Poverty Index different from past measures ? What are its strengths and weaknesses ? 20

3. Explain the distinction between an agricultural household model in which production and consumption decisions are separable and a model in which these decisions are non-separable. Describe how you would empirically test for separability in agricultural household decision-making. 20
4. Explain the relationship between the following three perspectives on migration : (1) the neoclassical model; (2) the new economics of migration; and (3) network or social capital theory of migration. Describe how you would empirically test the relative importance of these theories in explaining India-Bangladesh migration. Given these theories, what policies might be enacted by India and Bangladesh to reduce out-migration ? 20

## SECTION B

Answer any *five* questions from this section.

5×12=60

5. Consider a microfinance program that employs a group lending approach to deliver credit to poor households. Suppose the objective of the program is to enhance consumption, improve the asset position of poor households, and help households cope with risk. Describe the difficulties in identifying the impact of this microfinance program on these poor households. Given these difficulties, describe how you would go about determining if such a program improved borrower welfare. 12
  
6. Discuss the various Millennium Development Goals (MDGs). With respect to India, which do you consider to be the three most important MDGs ? Explain the reasons why you consider these to be the most important MDGs for India. 12
  
7. Discuss if geography and institutions in India can account for the huge per capita income disparities across its regions. 12
  
8. Do you agree with the view that legal structures in India are weak and so labour regulations have little effect on the performance of firms ? Give reasons in support of your answer. 12

9. Discuss if an increase in female wages will increase fertility. 12
10. Estimates of “environmental Kuznets curves” using cross-country data have shown a clear and stable inverse relationship between GDP and pollution, implying that industrialization will not have adverse consequences for the environment in developing countries. Give reasons in support of the viewpoint. 12
11. Contrast the H-D (Harrod-Domar) model with the Solow model, and explain the impact of population growth on income per head and economic development. Relate your answer to a particular country of your own choosing. 12
12. (a) For each of the following, assess whether the statement is True, False or Uncertain. Explain your answer. No marks will be given for answers without explanation.
- (i) In the Solow model, an increase in the rate of capital depreciation has no effect on the long-run level of per capita capital stock.
  - (ii) The income gap ratio and the head count, as measures of poverty, may lead to very different uses of anti-poverty resources by policy makers.

(b) A farming family owns some land. Suppose that in any year the equivalence of two people are needed to farm each acre of land that they own. The following information is given to you :

- (i) There are six people in the family.
- (ii) The going annual wage per person is ₹ 1,000.
- (iii) Each acre of land produces ₹ 3,000 worth of output.
- (iv) The family is always free to lease out land, but the labour required to farm it must be compensated at ₹ 1,100 per person.

Can the family hope to obtain more than ₹ 1,000 by leasing out land ?

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