

**Development Economics II: Assignment on Unit 1 (For Semester 6 Section C)**

**Instructions: Attempt any 10 questions in groups of two students each and submit via email by Friday, 27<sup>th</sup> March, 2020. Email id for submission: [anushruti@srcc.du.ac.in](mailto:anushruti@srcc.du.ac.in). Answers can be typed or scanned copies of handwritten answers.**

1. Evaluate the validity of the following statements:
  - a. In the HT model, an increase in formal sector L demand at fixed wage rates must lower the proportion of workers employed in the informal sector as a fraction of the total urban labour force
  - b. If governments are unable to tax agriculture then, the labour supply curve to industry in Lewis model is always upward sloping.
  - c. In the dual economy model, the phase of disguised unemployment must be associated with a horizontal supply curve of industrial labour.
  - d. Migration restrictions alone lead to too many people in the informal sector.

2. Priya and her 3 sisters own a farm in rural TN. The value of the output they produce is Rs. 4000 which they divide equally among themselves. The urban sector offers informal jobs paying Rs. 500 and formal jobs paying Rs. 1200. The probability of getting these jobs depends on the proportion of such jobs to the urban labour force.

- a. Assuming that Priya compares her expected returns in the two sectors and migration is costless, calculate the threshold proportion of formal jobs to urban labour force that will just deter Priya from migrating.
- b. The production function of Priya's farm is:

N(workers)	Y(Rs)
1 sister	1,500
2 sisters	2,500
3 sisters	3,300
4 sisters	4000

Assuming that Priya and her sisters seek to maximise their total family income and the threshold proportion derived in (a) prevails in the urban sector, prove that Priya will migrate. Will any of Priya's sisters also wish to migrate?

- c. Briefly explain the economic reasons to contrast Priya's decision in (a) and (b).
3. Why is an understanding of social norms important in explaining economic behaviour? Briefly explain the significance of these norms in determining (i) fertility choices (ii) the quality of common property resources.
  4. Show how the size of the urban informal sector is endogenously determined in the HT model. What is meant by the Todaro paradox?
  5. What is meant by 'survival probability'? What are its components and how do they influence individual fertility decisions?
  6. Consider the population growth of an economy.
    - a. Why does a young age distribution make it more difficult for a country to slow its rate of population growth?
    - b. How do you expect changes in female wages to effect fertility and why?
    - c. If a country suddenly drops its total fertility rate to two, describe the path the population takes:
      - i. In the short run
      - ii. In the long run
  7. Explain the progressive transformation of 'traditional' sectors into 'modern' sectors based on the fundamental resource flows. What makes this model work?
  8. What are the major determinants of fertility? Why will the population continue to grow even if fertility rates in developing countries fall rapidly?
  9. Discuss the "Cost-benefit Approach" to fertility choice.
  10. Explain how economic development affects population growth.
  11. Distinguish between the following concepts:
    - i. Micro and macro inertia
    - ii. Hoarding and targeting
    - iii. Private costs and social costs in fertility decisions
    - iv. Fertility choice and missing markets.
  12. Using a model of structural transformation, explain how while capital accumulation in the industrial sector is the engine of growth, the ability to expand the industrial sector is crucially determined by the production conditions in agriculture.
  13. (a) Show how community's coordination on social norms can lead to high total fertility rates.
  14. (b) 'The appreciating value of women's time relative to men's plays an important role in fertility transition' Elaborate.

**Commented [u1]:** Without the existence of a surplus in agriculture, it is difficult to create growth in industries

15. Are the following statements true, false or uncertain? Give brief explanations for your answer.
- A well implemented ban on child labour may lower fertility rates.
  - If country X has a lower rate of growth of population than country Y, then the average woman in X has fewer children than her counterpart in Y.
  - If total mortality among children remained constant, but the incidence of that mortality shifted from late childhood to early childhood, fertility rates should decline.
16. (a) Explain the HT equilibrium with reference to the urban wage rates in formal and informal sectors.  
(b) Briefly explain the paradox of urban job creation in the context of the HT model.  
(c) What are the policies advocated to move the economy towards an efficient labour allocation?
17. Explain the Lewis model of economic growth. Critically examine its implications on the process of economic growth in a developing economy.
18. Discuss the role of agricultural surplus in economic development. Examine the efficacy of an agricultural tax to mobilise this surplus for investment in industry.
19. In the 1950s, facing massive unemployment in cities (much of it disguised in the informal sector) the Kenyan Government embarked on a Keynesian policy of creating new jobs through public investment. By many accounts, the size of the informal sector went up in the months that followed. How would you explain this phenomenon? Elaborate.
20. "Capital accumulation in the industrial sector is the engine of economic development that proceeds via the joint transfer of labour and agricultural surplus from the traditional agricultural sectors to the modern industrial sector" Explain this statement wrt to the Lewis-Ranis-fei model of migration.
21. (a) What are hoarding and targeting in demographic choice? How does it influence the demographic status of the society?  
(b) Consider a traditional society where only women look after the children. How will the fertility decision change if there is an increase in the male wage? Show the effect with the help of necessary diagrams.
22. What are the social and economic factors on which fertility decisions at the household level depend? Explain the impact of population growth on economic development.
23. Explain the process of economic development with unlimited supplies of labour. Are there any limitations on this process? What policy measures can be adopted in the course of development?
24. Discuss the theory of demographic transition. Define the role of micro and macro inertia in population growth. In this regard, also explain the role of:
- Institution of social security
  - Survival probability.
25. (a) Explain how negative externalities can contribute to micro-inertia in household fertility behaviour.  
(b) What is the impact of a rise in wage and non-wage income on household fertility behaviour?  
(c) What are the negative effects of high population growth on the economic prospects of developing countries?
26. "Despite limitations, the Lewis model retains high analytic value for its insights into the development process of the developing countries" Discuss and elaborate.
27. In what ways according to Malthus and Solow, population growth effects economic development?
28. Discuss the role of gender-bias in determining (i) fertility choice under the assumption of zero costs (ii) opportunity cost of having children.
29. In what way does the HT model of rural-urban migration act as a constraint on the dual economy model proposed by A. Lewis?