

Sheth T.J. Education Society's

**Sheth N.K.T.T. College of Commerce and Sheth J.T.T.
College of Arts, Thane.**

**T.Y.B.A. Economics Sem V- Economics of Development-
2020-21**

Question bank and synoptic answers

Module I

1. Explain the concept of economic growth and development.

Ans: Economic growth and Development- Meaning

Todaro and Smith- 3 components-Capital accumulation, Growth in population and labour force, technological progress

Diagram- PP curve can be shifted to P1P1 by technological progress

Economic Development- Traditional approach- Meier and Baldwin – process- real NI of a country increases

Schultz- process- changes in fundamental factor supplies- additional resources, population growth, technological progress

Changes in structure of demand for products- age, size of population

2. Explain the modern approach to economic development

Ans: 1950s and 1960s- third world countries – low level of living

Todaro- development- multi dimensional process

Aspects- i. Raise people's level of living,

ii. Create conducive conditions for growth,

iii. Increase people's freedom of choice by increasing range of choice

3. Explain merits and demerits of GDP as measure of economic growth and development

Ans: Growth- quantitative-

GDP - Merits- Quantifiable- Real NI if increases – PCI also increases, Growth in output

GDP- Demerits-

1. Per capita output
2. Inequality
3. Distribution of output
4. Population
5. composition of output
6. Improved product quality
7. Leisure and working conditions
8. Non market transactions
9. Underground/ black economy
10. GDP and environment
11. Non- economic sources of well being
12. Misleading / erroneous statistics

4. Explain merits and demerits of Per capita income as measure of economic growth and development.

Ans: Meaning- per head income

Merits

1. easily calculated
2. Average income- rise shows whole country is better off
3. Focuses on eradicating poverty and raise standard of living
4. Takes population into account
5. Growth in PCI- indicates development
6. LDCs can focus on removal of poverty
7. Good indicator to classify level of development of countries

Demerits

1. Ignores distribution
2. Relation between two variables- NI and Population
3. Composition of output not considered
4. Does not reflect cost of exploitation, depletion and waste of resources
5. Goods that are not marketed are not included
6. Does not truly reflect purchasing power in different places
7. Ignores social opportunity cost of development
8. Population figures- to be accurate
9. Economic sectors- self- employed sector

5. Distinguish between economic growth and development.

Ans: Schumpeter (1961), Kindleberger (1958) and Mrs Hicks (1961)

Economic growth	Economic Development
------------------------	-----------------------------

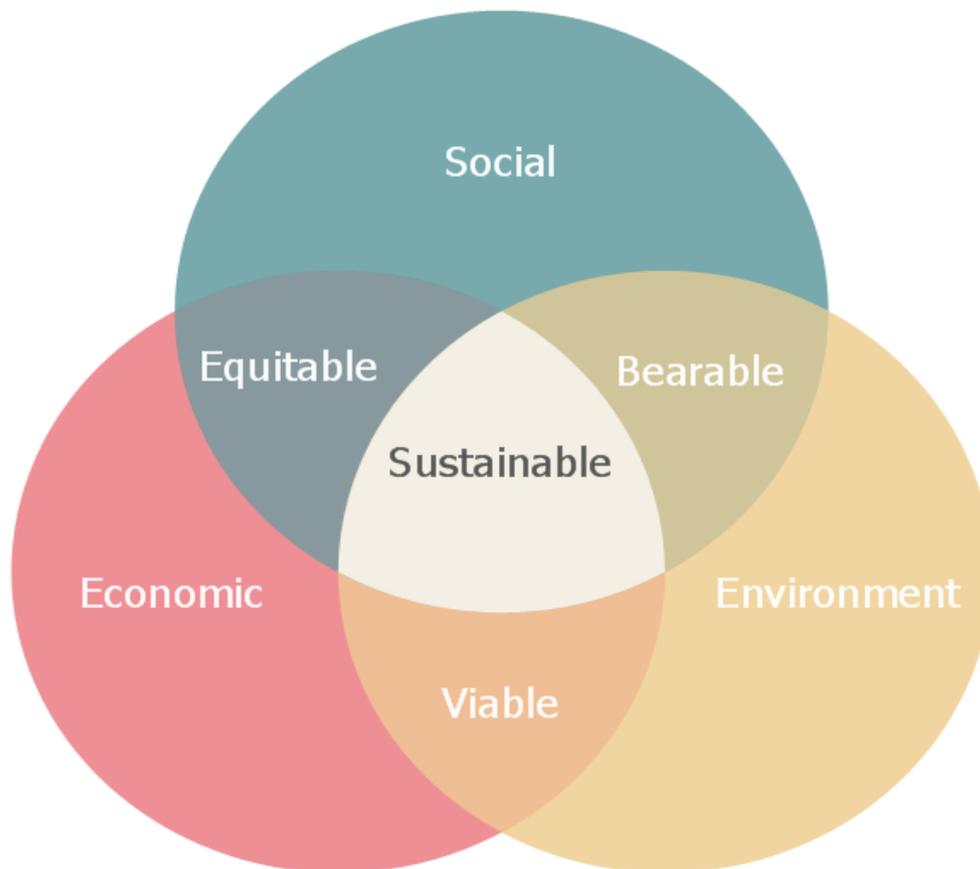
1. Implications- increase in real output	Changes in savings, investment, income and socio-economic structure
2. Factors- C, I, G, NX	HDI, decrease in inequality
3. Measurement – Quantitative	Qualitative
4. Effect- brings quantitative changes in economy	brings quantitative and qualitative changes in economy
5. Relevance- DCs	LDCs
6. Scope- concerned with increase in output	concerned with structural changes
7. Necessity- Necessary but not sufficient for development	Necessary and not sufficient for development
8. Possibility- easier to realise	Challenging
9. Utilisation- Optimum utilisation and development of resources	Utilisation and development of unused resources
10. Significance- Quantitative significance	Process of expansion

6. What is sustainable development? Explain three pillars of sustainability.

Ans: Brundtland report- 1987

SD- Development that meets the needs of the present without compromising the ability of the future generations to meet their own needs.

Three pillars of sustainability- Environment, social and economic considerations



7. Explain the aspects of sustainability.

Ans: Economic sustainability- constant flow of consumption- if wealth increases over time

Social sustainability- increasing social inclusion, equity in inter-generational well-being

Environmental sustainability- depleting natural resources- forest and clear water

Human actions have led to irreversible damage in the past
Proceed along the growth path with caution in utilizing
environmental and social aspects

8. Explain the principles of Sustainable development.

Ans: The Rio declaration

People are entitled to a healthy and productive life in
harmony with nature

Eradicating poverty and reducing disparities in living
standards

Environment protection- integral part of development

International actions in the field of environment and
development

Peace and development

Women and environment protection

9. Explain Sustainable Development Goals.

Ans: Meaning and goals

No poverty

Zero hunger and food security

Good health and well being

Quality education

Women empowerment

Clean water and sanitation

Sustainable cities

Affordable and clean energy

Life below water

Life on land- biodiversity

Peace, justice

partnership

10. Explain the concept of Green GDP and its need.

Ans: Meaning- Green NI measured as Green GDP – index of economic growth that measures the environmental effects on the growth of conventional GDP

The loss of bio diversity, cost of climate change and pollution to consider

GGDP- James Tobin and William Nordhaus

China-2004

India-2009- to set up framework- report-2013

Need- Conventional GDP – do not evaluate wealth and assets of a nation

Wealth and assets are used up in the process- sustainability

Natural capital- not adequately considered as economic assets

Accountability towards the interest of the future generations

SD and well-being of the people

11. Explain calculation of Green GDP and its drawbacks.

Ans: The process of calculating the total stocks and flow of natural resources and services in a given ecosystem of a region

Production results in consumption of natural capital-
Physical accounting, Monetary valuation of the natural capital and net changes in natural capital in monetary terms

$GGDP = GDP - \text{Cost of net natural capital consumption}$

Drawbacks

Difficult to assign monetary value

Not able to capture monetary and social welfare aspects of GDP

Cannot indicate the sustainability of the growth rate

12. Explain the three core values of development.

Ans: 1971- Denis Goulet

1. Sustenance- Ability to meet basic needs
2. Self-esteem- concerned with feeling of self-worth, self-respect and independence. LDCs- seek development for self esteem
3. Freedom- freedom from evils of wants, ignorance. Freedom from limiting material conditions of life. It involves expanded range of choices.

13. Critically explain Amartya Sen's Capability approach

Ans: Amartya Sen's approach

1. Entitlements- Set of alternative commodity bundle that a person can command. It generates capabilities
2. Capabilities- What he can or cannot do, can or cannot be

3. Capabilities and functioning- what people actually “do and are”- they are achievements of people. Functioning depends on a range of factors- age, gender, health , knowledge, education.
4. Freedom- Development consists of removal of ‘unfreedoms’ that leave people with little choice and opportunity. Unfreedoms- famine, undernourishment, poor health, lack of basic needs etc

Criticisms

1. Difficult to measure capabilities
2. Unable to categorize any capability as not valuable
3. Does not provide procedures for valuation

14. Explain the concept of Human development

Ans: Development of people through building human capabilities

Capabilities, functioning value and autonomy.

Good quality population is important in determining high rate of economic growth.

15. Explain meaning and measurement of Human Development Index. (HDI)

Ans: UNDP- Summary measure of achievements in three dimensions of Human development-

A long and healthy life, access to knowledge and a decent standard of living.

Steps to calculate HDI- step 1. Creating the dimension indices – Health, education and standard of living

Step 2. Aggregating the dimensional indices to produce the HDI

16. Explain meaning and measurement of Gender Development Index. (GDI)

Ans: Measures differences between male and female achievements in three dimensions of human development. Health, access to knowledge and a command over economic resources measured by estimated earned income.

Steps to calculate the GDI

Step 1- Estimating the female and male earned incomes

Step 2- Normalising the indicator

Step 3- Calculating the female and male Human Development Index values.
