

Centre for Development Economics

at the

Delhi School of Economics

The Ninth Annual Report
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Bimal Jain	Governor, Reserve Bank of India
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Amartya Sen	Master, Trinity College, Cambridge and Nobel Laureate in Economics
Joseph Stiglitz	Professor of Economics, Stanford University and Nobel Laureate in Economics

The office bearers, Head of the Department of Economics and the Chief Economic Advisor of the Ministry of Finance constitute the Governing Council of the Endowment Fund.

Introduction

The Centre for Development Economics (CDE) was set up with a grant from the Ministry of Finance, Government of India as a research adjunct of the Delhi School of Economics (Department of Economics). It is a non-profit organization that supports research in all areas of economics. It came into existence in August 1992 and began effectively functioning from early 1993, with the full range of activities picking up only in late 1993 after it received its grants from the Government of India and the Ford Foundation.

Aims

- to promote and disseminate research ;
- to sponsor economists from all over India and abroad to visit to Delhi School of Economics ;
- to conduct regular conferences and workshops ;
- to upgrade research infrastructure, including communication and computing facilities.

Computer Unit

The Centre has a well equipped computer unit with software and hardware for meeting the research and training needs of Post-Graduate, M.Phil and Research Scholars and has acquired several data sets. The Centre has a wide range of statistical and econometric software packages.

In addition E-Mail facility is also available in the Centre, as is access to the Internet.

Seminars and Workshops

An important activity of the Centre is the holding of Conferences, Seminars, public lectures and workshops.

Publications

The Centre's research output is available in the form of books, occasional papers and working papers. The publications of the Centre are currently being exchanged with about thirty research institutes in India and abroad.

Research Projects

The Centre also houses research projects. Currently five projects are housed in the Centre.

Library

The Centre maintains a mini library. It gets working/discussion papers from about thirty research institutes from around the world.

Training

The Centre has also started organising short term refresher courses on request from Government.

Activities during 2001-2002

Infrastructure at the CDE :

Centre has now launched its website www.cdedse.org which contains all the information about CDE Working Papers, the Research Projects housed in CDE and the seminars/workshops organized by CDE. One can also download the current CDE Working Papers from this site. Centre has also got a leased line Internet connection of 128 KBPS.

During the year the Centre has acquired one high end IBM Pentium-III based Server with dual processor support, 26 IBM NetVista Pentium-IV Computers, one line printer and one HP Laser Jet 2200D Duplex Printer to provide enhanced and advanced computer facilities to the students.

CDE has created a modern air-conditioned Seminar Room financed by a gift of Rs. 5,00,000.00 from Mrs. Santosh Bakshi in memory of her late husband, Mr. Vishwanath Bakshi.

Winter School, 2001-02

The CDE organized a Winter School in collaboration with the Econometric Society, on Economic Theory and Econometrics from 28th December 2001 to 3rd January 2002. The organizing committee was : Dr. Sudhir A. Shah, Dr. Abhijit Banerji and Dr. Ashwini Deshpande. Prof. Bhaskar Dutta of Indian Statistical Institute Delhi was CDE's liaison with the Econometric Society.

The programme consisted of fourteen sessions, each of three hours. Two sessions each were devoted to invited lectures by experts in the areas of Microeconomics (Prof. Herve Moulin of Rice University), Macroeconomics (Prof. Nobuhiro Kiyotaki of London School of Economics) and Econometrics (Prof. Andrew Chesher of University College London). These lectures were preceded by introductory lectures in each area. The introductory lectures were delivered by Prof. Arunava Sen of Indian Statistical Institute, Delhi (Microeconomics), Prof. Partha Sen of Indian Statistical Institute Delhi (Macroeconomics) and Prof. Kajal Lahri of SUNY Albany (Econometrics). The remaining five sessions were devoted to sixteen research talks by young scholars drawn from all over India, who were either Ph.D. students or junior faculty in their institutions.

Seminars

The Centre arranged a number of seminars this year covering a wide range of topics.

On Thursday, 16th August, 2001, Prof. Angus Deaton, Princeton University presented a seminar on "Health, Inequality and Economic Development".

On Thursday, 30th August, 2001, Dr. Sudipta Sarangi, Louisiana State University spoke on "Nash Network with Heterogeneous Agents".

On Thursday, 20th September, 2001, Ms. Sushma Murthy, University of California, Riverside delivered a lecture on “Externality Policy Reform: A General-Equilibrium Analysis” (a joint work with Professor R. Russell).

On Thursday, 27th September, 2001, Prof. Thomas Weisskopf, University of Michigan presented a seminar on “Empirical Studies of the Consequences of Affirmative Auction in U.S. Higher Education”.

On Thursday, 4th October, 2001, Mr. Ram Singh, Delhi School of Economics spoke on “Effect of Legal Errors on Characterization of Efficient Liability Rules”.

On Monday, 3rd December, 2001, Prof. Geeta Gopinath, University of Chicago, GSB presented a seminar on “Lending Booms, Sharp Reversals and Real Exchange Rate Dynamics”.

On Thursday, 20th December, 2001, Prof. Shailendra Mehta (jointly with Arnold C. Cooper), Krannert Business School, Purdue University gave a lecture on “God Rewards Fools – The Role of Optimism in Entrepreneurial Choice”.

On Thursday, 16th January, 2002, Prof. Martin Ravallion (jointly with Gaurav Datt), World Bank, Washington spoke on “Has India’s Post-Reform Economic Growth Left the Poor Behind?”

On Thursday, 14th February, 2002, Prof. Stephen Marglin, Professor of Economics, Harvard University presented a seminar on “Why is there Never Enough? An Essay on the Paradox of Abundance & Scarcity”.

On Saturday, 6th April, 2002, CDE in co-ordination with Delhi School of Economics organized a seminar on “Macroeconometric Modelling for India Programme”. A valedictory lecture was given by Dr. Rakesh Mohan, Chief Economic Advisor, Ministry of Finance, Govt. of India.

On Thursday, 25th July, 2002, Dr. Basudeb Chaudhuri, University of Caen, spoke on “Social Heterogeneity and Distributive Conflict : How Economists are Modelling Social Behaviour”.

On Wednesday, 31st July, 2002, Dr. Indraneel Dasgupta, University of Nottingham, presented a seminar on “How Workers get Poor because Capitalists get Rich : A General Equilibrium Model of Labor Supply, Community and the Class Distribution of Income”.

On Thursday, August 01, 2002, Ms. Geeta Gandhi Kingdon, University of Oxford, gave a lecture on “Teachers, Politics and Education in India : A Political Economy Case Study of Uttar Pradesh”.

Research Projects

The research projects currently housed at CDE are as follows :

(1) Poverty and Environmental Degradation in India : An Exploratory Study

Principal Investigators : Shreekant Gupta (CDE), Urvashi Narain (RFF),
Klaas van 't Veld (University of Michigan,
Ann Arbor, MI)

Funded by : Resources for the Future, Washington D.C.

This research project is being implemented jointly by researchers at Resources for the Future (RFF), a Washington DC based research institute, University of Michigan and the Centre for Development Economics (CDE). It considers to what extent the stock of natural resources (forests, grazing lands, and groundwater) available to rural households affects their income from agriculture and other productive activities. Much of the literature on poverty-environment interactions has focused on the link from poverty to the environment, investigating for example whether poor households tend to place greater pressure on natural resources, leading to their degradation. In contrast, this project focuses on the reverse link from environment to poverty, asking to what extent interventions in the natural resource sector may help reduce the incidence of poverty.

This study considers three major natural resource stocks, namely forest, fodder, and groundwater, and the simultaneous impact of changes in these stocks on profits from four income-generating activities of rural households, namely, agriculture, livestock rearing, home enterprises, and direct resource extraction.

The data for this study has been collected through primary surveys of 550 households in 60 villages in Jhabua district in western Madhya Pradesh during August 2001-June 2002. Extensive primary and secondary village and block level data including ground water measurements in sample villages has also been collected. Data on biomass (forest and fodder) is being collected through remote sensing and ground surveys. Preliminary model estimation is under way and dissemination will commence by December 2002. The project methodology was presented at the 2nd World Congress of Environmental and Resource Economists, Monterey, California, June 24-27, 2002.

(2) Market Based Instruments for Regional Environmental Management

Principal Investigators: Shreekant Gupta (CDE), P. Khanna (IIEM),
K.P. Nyati (CII-EMD)

Funded by: Ministry of Environment and Forests (MoEF), Government of India

This study is being conducted in the Kavas-Hazira industrial region of western Gujarat in partnership with the Indian Institute of Environment Management (IIEM) Mumbai, and the Environment Management Division (EMD) of the Confederation of Indian Industry (CII). The overall objective of this MoEF funded project is to design market-based instruments (MBIs) to improve the economic and environmental performance of industries in the Kavas-

Hazira region and delineation of an implementation plan. To this end, CDE researchers are employing a distance function approach. This method deduces the (shadow) price of a pollutant from plant-level data on underlying technical relationship between inputs and multiple outputs—including the ‘output’ of one or more pollutants. The technical approach to the problem of estimating shadow prices for a pollutant (the converse of costs of abatement) involves specifying a multiple-output production technology in which pollutants are considered to be (bad) outputs.

(3) Re-Examining the Inadequacy of Nutrient Intakes in India.

Principal Investigator : J.V. Meenakshi
Funded by : The World Bank

Conducted in collaboration with Dr. Brinda Vishwanathan of the MIDS, the study examines changes in nutrient intake between 1983 and 1999/2000. It demonstrates that despite a decline in the average intake of calories and proteins, the incidence of abject deprivation in nutrient intakes has declined over time, as has inequality in intakes. The diet has also become more diversified in content. The study is based on the unit record data from the National Sample Survey Organization’s consumer expenditure surveys.

Preliminary findings were presented at a workshop on Poverty Measurement, Monitoring and Evaluation conducted jointly by the Planning Commission and the World Bank in January 2002.

(4) International Econometric (LINK) India Model

Principal Investigator : V. Pandit
Funded by : Industrial Development Bank of India & Indian Council of Social Science Research.

The forecasts have prominently been highlighted in Consensus Forecasts published from London and widely circulated the world over. These and other results prepared under the Project have also been widely circulated domestically.

Activities during the year 2001-02 have resulted in the following :

- (a) Experiments towards updating and reformulation of the model which had become necessary because of
 - (i) Publication of revised series on National Accounts with 1993-94 base and the new series on wholesale price indexes.
 - (ii) Perceived structural changes during the nineties which the earlier model would not have been able to capture with its data base-ending with 1994-95.
 - (iii) Normal need to revise and update models after every 3 to 4 years which is a must even under the best of circumstances.

- (b) Presidential addresses by Professors K. Krishnamurthy and V. Pandit to the 37th and the 38th Annual Conferences to the Indian Econometric society were an outcome of work on the Project. Work on Sustainable Growth for UN University, Institute of Advanced studies, Tokyo was finalized recently. Though we did have additional funding for this work we have had to draw heavily on the ongoing work and also on the infrastructure created under this project.
- (c) Release of Economic Outlook, India 2002-2004 in India Link Spring Forecast, April 2002 which was presented (by Professor K. Sundaram) in the Spring Meeting of the World Project Link, April 24-26, 2002 at United Nations, New York.
- (d) Finally, the one day workshop on "Economic Outlook for India 2001-2004" on April 06th 2002 brought together for the first time a number of model builders (from RBI, IEG & NCAER), policy makers (Ministry of Finance) and data experts from CSO to deliberate on various aspects of modeling. Needless to add that this itself has been the result of work undertaken under this project over the last few months.

(5) "Economics of Destitution"

Principal Investigator : Dr. Jean Dreze

Professor Jean Dreze is coordinating an evaluation of food-based welfare schemes, particularly the recently introduced Antyodaya Anna Yojana, a programme of social security for destitute households. A field survey of the Antyodaya programme was carried out in five states (Andhra Pradesh, Chattisgarh, Orissa, Rajasthan and Uttar Pradesh) in June 2002, with a team of student volunteers. Preliminary results indicate that the scheme is doing quite well, in contrast with most other food-based welfare programmes. Most of the households included in the Antyodaya programme are very poor, suggesting that the "selection" procedure is working reasonably well. Further, the sample households obtained about 70 per cent of their official entitlements (currently 35 kgs of grain per month) since the programme was introduced. This compares favourably with the public distribution system and school-meal programmes in the same areas. Further, corruption in the Antyodaya programme appears to be relatively low. The programme is particularly effective in Andhra Pradesh, and very effective in Jharkhand. A report is in progress.

Publications of the Members of the Centre 2001-2002

T. C. A. Anant

1. International Financial Standards and Codes: A Synthesis; Reserve Bank of India, May 2002.
2. Framework of Regulation in India: Some concerns; India Infrastructure Report 2002, 3i Network, IDFC; Oxford University Press (With Jaiveer Singh).
3. India and the WTO Economic and Political Weekly November 2001.
4. Convergence & Institutions of Governance, The Asian Journal Vol 8 No. 2 Aug 2001.

A. Banerji

1. "Strategic sequencing" International Journal of Industrial Organization, 2002, vol.20, no. 7

Aditya Bhattacharjea

1. "Competition Policy : India and the WTO", Economic and Political Weekly, 22 December 2001.
2. "Foreign Entry and Domestic Welfare: Lessons for Developing Countries", Journal of International Trade and Economic Development, June 2002.
3. "Infant Industry Protection, Revisited : Entry-Deterrance and Entry Promotion when a Foreign Monopolist has Unknown Costs", International Economic Journal, forthcoming, Autumn 2002.

Mausumi Das

1. " Optimal Growth with Decreasing Marginal Impatience", forthcoming in the Journal of Economic Dynamics and Control.

Ashwini Deshpande

1. Assets versus autonomy ? The changing face of the gender – caste overlap in India Feminist Economics 8 (2) 2002,
2. Tale of two cities : Regional inequality in China on the eve its entry into WTO, China Report 38 (4), 2002

Jean Dreze

1. India : Development and Participation (with Amartya Sen), Oxford University Press, 2002.
2. “Democratic Practice and Social Inequality in India” (with Amartya Sen), Discussion Paper, Institute of Social Sciences, New Delhi, forthcoming (2002) in Journal of Asian and African Studies.
3. War and Peace in the Gulf : Testimonies of the Gulf Peace Team (co-edited with Bela Bhatia and Kathy Kelly), Spokesman, London, 2001.
4. “On Research and Action”, Economic and Political Weekly, 2 March 2002.

Pami Dua

1. “Introduction,” Special Issue on Analysis of Business Cycles, Indian Economic Review, 2001,.XXXVI.
2. “Indicator Approach to Business Cycle Analysis: The Case of India,” (with Anirvan Banerji), Special Issue on Analysis of Business Cycles, Indian Economic Review, 2001,.XXXVI, 55-78.
3. “Interest Rate Determination in India: The Role of Domestic and External Factors,” (with B.L. Pandit), Journal of Policy Modeling, Forthcoming.
4. Forecasting Financial Markets: Stock Market Forecasting (Volume I), (with R. Batchelor), ed., International Library of Critical Writings in Financial Economics, Edward Elgar, Forthcoming.
5. Forecasting Financial Markets: Interest Rates, Exchange Rates and Volatility (Volume II), (with R. Batchelor), ed., International Library of Critical Writings in Financial Economics, Edward Elgar, Forthcoming.
6. Analysis of Business Cycles and Leading Indicators, ed., Oxford University Press, Forthcoming.
7. Monthly Report on “Forecasting and Tracking the Indian Economy Using Leading and Coincident Indexes,” (with Anirvan Banerji), ICICI Research Centre (<http://www.iciciresearchcentre.org>), and Economic Times (Economy Watch).

Shreekant Gupta

1. “Economic approaches for addressing vehicular pollution: issues and prospects for India” in Proceedings of the 1st Workshop on Transportation, Land use and the Environment, Harvard University and Central Institute for Road Transport, Pune, India, December 2001.

2. "Water reforms through water markets: international experience and issues for India" (with Nirmal Mohanty) in India Infrastructure Report 2002: Governance Issues for Commercialization, 3i Network, Infrastructure Development Finance Company. Oxford University Press (2002).
3. "Incentive-based approaches for mitigating greenhouse gas emissions: issues and prospects for India," MIT Joint Program on the Science and Policy of Global Change, Cambridge, MA. Report No. 86, June 2002.
4. "Environmental benefits and cost savings through market-based instruments: an application using state-level data from India," MIT Center for Energy and Environmental Policy Research, Cambridge, MA. Working paper August 2002.
5. "Prospects for market mechanisms for pollution abatement in India: legal and institutional considerations," MIT Center for Energy and Environmental Policy Research, Cambridge, MA. Working paper August 2002.

Sunil Kanwar

1. "Does Intellectual Property Protection spur Technological Change?", Economic Growth Center Discussion Paper No. 831, Department of Economics, Yale University, 2001.

J. V. Meenakshi

1. "How have the Disadvantaged Fared in India? An Analysis of Poverty and Inequality in the 1990s," chapter in Trade Policy Regime, Growth, Equity and Poverty in Asian Developing Countries, Routledge, forthcoming, with Ranjan Ray.
2. "Impact of Household Size, Family Composition and Socio-Economic Characteristics on Poverty in Rural India" forthcoming in Journal of Policy Modeling with Ranjan Ray
3. "Developing Country Nutrition Does Improve with Income: A Look at Calorie and Protein Intakes, 1983 to 1993/94," forthcoming in Sarvekshana, with Brinda Vishwanathan
4. "Caloric Intake Patterns of Rural Indian Households: Evidence from National Sample Survey Data" Medico Friend Circle Bulletin, Nov-Dec 2001, with Brinda Vishwanathan.
5. "Assessing the Impact of the National Watershed Development Project for Rainfed Areas (NWDPPRA) on Cereal Production" Report prepared for the Ministry of Agriculture, November 2001

Pulin B. Nayak

1. The State and the Market : Festschrift in Honour of Mrinal Dutta Chaudhari, Oxford University Press, New Delhi, forthcoming (editor, along with K. Basu and R. Ray).
2. “ An Examination of Schumpeter’s Tax State”, in The State and the Market, Oxford University Press, New Delhi, forthcoming.

S. C. Panda

1. “On Optimality and Competitive Equilibrium in Presence of Fuzzy Preferences”, forthcoming in Arthaniti (with P. K. Pattanaik).

R. N. Pradhan

1. An Analysis : “ External Debt of India – Pre & Post Reform Scenario”, pp 1-39, Forthcoming in Prajnana.

Om Prakash

1. “ Portuguese-Dutch Economic Interaction in Asia in the Second Half of the Eighteenth Century”, in Avelino de Freitas de Meneses (ed.), Portos, Escalas e Ilheus No Relacionamento Entre O Ocidente E O Oriente, Azores, Portugal, 2001.
2. “ European Private Traders in the Eastern Indian Ocean Trading Network in the Early Modern Period” in Jan Parmentier and Sander Spanoghe (ed.), Orbis in Orbem, Liber Amicorum John Everart, Gent, Belgium, 2001.
3. “ Coastal Burma and the Trading World of the Bay of Bengal, 1500-1680” in Jos Gommans and Jacques Leider (ed.), The Maritime Frontier of Burma, Exploring Political, Cultural and Commercial Interaction in the Indian Ocean World, 1200-1800, Leiden, 2002.

Ram Singh

1. “ Efficient Liability Rules : Complete Characterization”, Journal of Economics, Vol. 75, No. 2, 105-24.
2. “Implementation of Intellectual Property Rights Regime : The Justification Question”, Social Scientist, Vol 30, No. 1-2, 2002, pp 61-82.
3. “Values in the Law of Torts” in Debroy B and Hazra A (ed.), Issues in Law & Economics (forthcoming).

K. Sundaram

1. "Poverty in India : An Assessment and Analysis and Implications for Country Strategy and Programmes in India : An Update" (with Suresh D. Tendulkar) : Report prepared for the Asian Development Bank, Manila (November 2001).
2. "Employment-Poverty Linkages and Policy Options in India: An Analysis" (with Suresh D. Tendulkar): A Report prepared for International Labour Organization, Geneva (December 2001).
3. "Employment and Poverty in 1990s" : Further Results from NSS 55th Round, Employment-Unemployment Survey, 1999-2000, Economic and Political Weekly, Vol XXXVI, No. 32, August 11, 2002.

Suresh D. Tendulkar

1. "Poverty in India: An Assessment and Analysis and Implications for Country Strategy and Programmes in India: An Update" (with K.Sundaram): Report prepared for the Asian Development Bank, Manila (November 2001).
2. "Employment-Poverty Linkages and Policy Options in India: An Analysis" (with K.Sundaram): A Report prepared for International Labour Organisation, Geneva (December 2001).

Working Papers 2001-2002

(Continued from reports of previous years)

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| 97. | Ram Singh | Effects of Court's Errors on Efficiency of Liability Rules : When Individuals are Imperfectly Informed (September 2001) |
| 98. | V. Pandit | Structural Modelling Under Challenge (November 2001) |
| 99. | Ram Singh | Efficient Liability Rules when Courts make Errors in Estimation of the Harm : Complete Characterization (November 2001) |
| 100. | V. Pandit | Sustainable Economic Growth for India : An Exercise in Macroeconometric Scenario Building (May 2002) |
| 101. | Mausumi Das | Persistent Inequality : An Explanation Based on Limited Parental Altruism (June 2002) |
| 102. | Ram Singh | Causation, Economic Determinants and the Law of Torts |

103. Usha Jayachandran Socio-Economic Determinants of School Attendance in India (July 2002)
104. A. Banerji Buyer Collusion and Efficiency of Government in Wheat Markets in Northern India : An Asymmetric Structural Auctions Analysis (July 2002)
J. V. Meenakshi
105. Samiran Chakraborty Aspects of Financial Reforms in the presence of Product Market Imperfection (July 2002)
106. Deepika Goel Impact of Infrastructure on Productivity: Case of Indian Registered Manufacturing (August 2002)
107. Jean Dreze Poverty and Inequality in India : A Re-examination (with Angus Deaton) (August 2002)

Macroeconometric Modelling Project

- 5 T.C.A. Anant India : Economic Outlook, 2002 - 04
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