

ESSAYS ON ECONOMIC DEVELOPMENT IN INDIA

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The thesis examines some aspects of economic development in India. The first chapter deals with the distributional effects of tariff reform in India and the second chapter focuses on determinants of violence in India.

India has experienced dramatic GDP growth rate for the last quarter of a century. The literature draws our attention to the causal relationship between liberalisation process and economic growth. India's economic policy reform started in the second half of 1980s, but it got momentum in 1991 when India faced rising macro-economic imbalances. Tariff reform was one of the important components of liberalisation measures. While literature focuses mainly on macro-economic aspects of trade policy reform, *viz.*, productivity, growth, labour market, competitiveness and efficiency, I concentrate on distributional aspect of the trade policy. Topalova(2005) estimates the impact of trade policy reform on poverty and inequality in India. Using district level panel she found that inequality was unaffected by tariff reduction. Why is it so? Does it mean that gains from trade policy are similar for all income groups? In my study, I use household level consumption and wage data to find the average welfare effect of income groups. Following Porto(2006), I estimate consumption effect of both traded goods and non-traded goods as well as labour income effect of tariff reduction. The estimated welfare gain (compensating variation) of traded goods is larger for extremely poor section of the society, whereas rich and middle class have almost similar welfare gain. The result is opposite for non-traded goods. The welfare gain of non-traded goods is higher as household gets richer. The results reflect the fact that the budget share of traded goods is higher for poorer section and income elasticity is high for non-traded goods. On the other side, labour income effect shows non-monotonous curvature. This effect is lowest for extremely poor section and then it has inverted "U" shape for lower and middle income groups. The richer income groups have monotonously increasing labour income effect of tariff reform. Overall, the average aggregate effects of tariff reform are comparable across all income groups. This supports the findings of Topalova(2005).

In second chapter, I explore the determinants of violence in India. In recent years India has drawn tremendous attention of international media as well as academicians for its emerging status. However, a close look at other dimensions of human development reveals that India's performance is not satisfactory. "Freedom from violence" is one of the important aspects of socio-economic development. In assessing the influence of inequality on violent crimes this paper brings out an interesting nexus between violence and inequality which contradicts a common prediction of almost all prominent theories of crime. I show empirically that higher inequality leads to lower murder rate (proxy for violence) using a district level panel. I experiment with different estimation models and the result is robust. The explanation of this result lies in the fact that in a class conscious society like India where law and order machinery is not always unbiased, higher degree of inequality does not immediately lead to higher incidence of violence or crime. It has two reasons: 1) Higher income group people are more immune to violence just because they enjoy special status in society and they can "buy" law and order machinery (public good) in their favour. When inequality is high (income groups are far from each other), their relative strength of using law and order machinery in their favour is higher. Therefore, poor people have higher opportunity cost of violent activity when power is concentrated in higher income group. 2) Return from violent activity for higher income group is less in highly unequal society.