

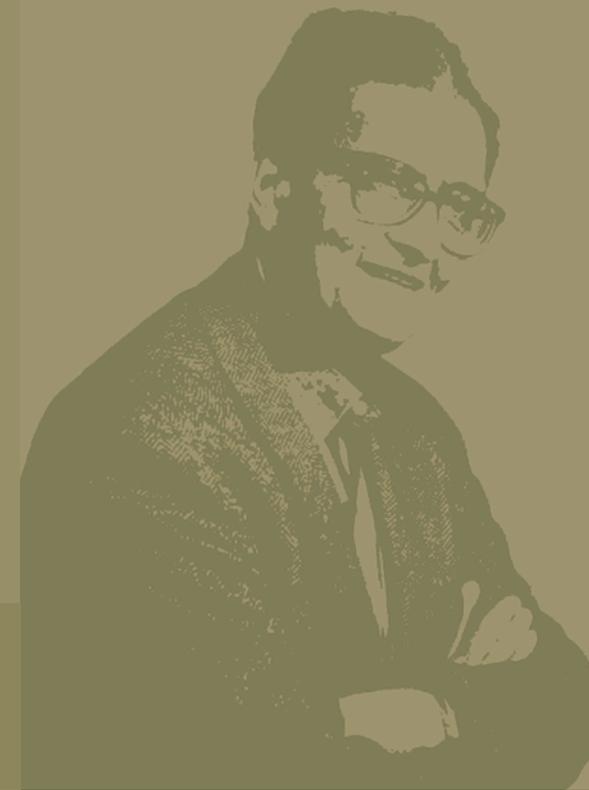
International Conference on
DEVELOPMENT, FREEDOM AND WELFARE

in Honour of
Professor Amartya Sen

19-20 December 2008
New Delhi

Organised by
Cornell University and
Institute for Human Development

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The year 2008 marks Professor Amartya Sen's 75th birthday. Professor Sen has made deep and lasting contributions to the academic disciplines of economics, philosophy, and the social sciences more broadly. He has engaged in policy dialogue and public debate, advancing the cause of a human development focused policy agenda, and a tolerant and democratic polity. This Argumentative Indian has made the case for the poorest of the poor, and for plurality in cultural perspective. It is not surprising that he has won the highest awards, ranging from the Nobel Prize in Economics to the Bharat Ratna, India's highest civilian honour. This public recognition has gone hand in hand with the affection and admiration that Professor Sen's friends and students hold for him.

Clearly, a celebration is called for. We will be holding a conference in his honour on 19-20 December 2008, in New Delhi. The conference will be inaugurated by Dr Manmohan Singh, Prime Minister of India, and many of the world's leading economists and social scientists will be present at the celebration. It will have three components:

1. The launch of Arguments for a Better World: Essays in Honour of Amartya Sen a Festschrift by leading economists and social scientists, edited by Kaushik Basu and Ravi Kanbur, to be published by Oxford University Press. Many of the authors will be present at the conference.
2. Three Policy Panels, on India specific and global development issues. The panelists will be leading thinkers and policy makers from India and the World.
3. Presentations by young economists and social scientists from India and around the world. We feel that this is particularly appropriate given Professor Sen's own devotion to his students and to young social scientists in general. The presentations will be by young researchers selected from submissions to this Call for Papers, by an international committee of assessors.

The organizers invite submissions of papers by young researchers (below the age of 40 years). A detailed abstract (about 1000 words) of the paper should be sent to senconference@gmail.com by 12 August 2008. However, the submission of full papers will be preferred. The selected candidates need to submit the full papers by 31 October 2008. A few selected scholars will also be provided financial support for presenting their papers.

Conference Coordinators:

Kaushik Basu, C. Marks Professor and Chairperson, *Department of Economics, Cornell University*
Ravi Kanbur, T.H. Lee Professor of World Affairs and Professor of Economics, *Cornell University*
Alakh N. Sharma, Professor and Director, *Institute for Human Development*

Associate Coordinators

Aseem Prakash, Senior Fellow, *Institute for Human Development*
Shashikala Menon, Fellow, *Institute for Human Development*

Programme

FRIDAY, DECEMBER 19, 2008

Venue: Vigyan Bhavan, Maulana Azad Road, New Delhi

1015-1115: INAUGURAL FUNCTION AND LAUNCH OF "ARGUMENTS FOR A BETTER WORLD"

Welcome

Alakh N Sharma

Professor and Director,

Institute for Human Development

Introducing the Conference

Kaushik Basu

C. Marks Professor and Chairperson,

Department of Economics, Cornell University

Launch of "Arguments for a Better World" and Inaugural
Address

Manmohan Singh

Honourable Prime Minister of India

Address

Amartya Sen

Professor, *Harvard University* and Nobel Laureate

Remarks

Henry Reece

Secretary to the Delegates and Chief Executive,
Oxford University Press

Concluding Remarks and Vote of Thanks

Ravi Kanbur

T.H.Lee Professor of World Affairs and Economics,
Cornell University

Rapporteur: Sunil Kumar, DPhil Candidate, University of East
Anglia

1115-1145: TEA BREAK

1145-1400

PANEL I: GLOBALIZATION AND DEVELOPMENT

Chairperson

M.S. Swaminathan, Member of Parliament and

Chairperson, *M.S. Swaminathan Research Foundation*

Speakers

Emma Rothschild, Professor, *Harvard University* and
Cambridge University

Edmund Phelps, Professor, *Columbia University* and Nobel
Laureate

Lord Meghnad Desai, Professor Emeritus, *London School of
Economics* and Member, House of Lords

Joseph Stiglitz, Professor, *Columbia University* and Nobel
Laureate

Amartya Sen, Professor, *Harvard University* and Nobel
Laureate

Rapporteur: Swagato Sarkar, D.Phil Candidate, University of
Oxford

1400-1500: LUNCH

**1500-1700: YOUNG RESEARCHERS' PRESENTATIONS:
PARALLEL SESSIONS I, II, III & IV**

1700-1715: TEA BREAK

**1715-1845: YOUNG RESEARCHERS' PRESENTATIONS:
PARALLEL SESSIONS V, VI, VII & VIII**

1930: RECEPTION AND DINNER

Venue: Silver Oak, India Habitat Centre, Lodhi Road

SATURDAY, DECEMBER 20, 2008

**Venue: Stein Auditorium, India Habitat Centre, Lodhi Road,
New Delhi**

0930-1045

PANEL II: INDIA AND THE WORLD

Chairperson

Yoginder K Alagh, Former Union Minister and Former Vice-Chancellor, *Jawaharlal Nehru University*

Speakers

Montek Singh Ahluwalia, Deputy Chairperson, Planning Commission, Govt. of India

Aruna Roy, Chairperson, *Mazdoor Kisan Shakti Sangathan*

Nandan Nilekani, Co-Chairman of the Board of Directors, *Infosys Technologies Ltd.*

Rapporteur: Rukmini Tankha, Research Associate, Institute for Human Development, New Delhi

1045-1115: TEA BREAK

1115-1245

Panel II: **INDIA AND THE WORLD (Contd.)**

Jaswant Singh, Leader of Opposition, Rajya Sabha

Shabana Azmi, Actor, Social Activist and Former Member of Parliament

Sitaram Yechury, Member of Parliament, Rajya Sabha

Kapil Sibal, Union Minister for Science and Technology, Govt. of India

Rapporteur: Smita Das, Doctoral Candidate, University of Ulster

1245-1430: LUNCH

1430-1630

Panel III: **VISION FOR A NEW SOUTH ASIA**

Chairperson

Pranab Mukherjee, Minister for External Affairs, Govt. of India

Speakers

Rehman Sobhan, Chairperson, *Centre for Policy Dialogue*, Dhaka

Arjun Sengupta, Member of Parliament and Chairperson, National Commission for Enterprises in the Unorganised Sector, Govt. of India

Kanak Mani Dixit, Editor, *Himal*, Kathmandu
Saman Kelegama, Director, *Institute for Policy Studies*, Colombo

Asma Jahangir, Chairperson, *Human Rights Commission of Pakistan*

Muchkund Dubey, Chairperson, *Council for Social Development* and Former Foreign Secretary, Govt. of India

Rapporteur: Ann George, PhD Candidate, Madras Institute of Development Studies

1630-1700: TEA BREAK

1700-1800

INTERACTIVE SESSION WITH PROFESSOR AMARTYA SEN AND CONFERENCE CLOSING

Chairperson

Martha Nussbaum, Professor of Law and Ethics, *University of Chicago*

Opening Remarks

Kaushik Basu, C. Marks Professor and Chairperson, *Department of Economics, Cornell University*

Ravi Kanbur, T.H. Lee Professor of World Affairs and Economics, *Cornell University*

Address and Interaction with the Audience

Amartya Sen, Professor, *Harvard University* and Nobel Laureate

Closing Remarks and Vote of Thanks

Alakh N Sharma, Professor and Director, *Institute for Human Development*

Young Researchers' Presentations

Presentations by Young Researchers

FRIDAY, DECEMBER 19, 2008

Venue: Vigyan Bhavan, Maulana Azad Road, New Delhi

1500-1700

Parallel Session I: **Poverty, Inequality and Economic Growth: Conceptual and Empirical Issues**

Venue: Hall No.6

Chairperson

A.K. Shiva Kumar, Advisor, *UNICEF India*

Presentations

Ben Suwankiri, PhD Candidate, *Cornell University*

Are We There Yet? Escaping Poverty Traps with Redistribution

Diganta Mukherjee, Associate Professor, *ICFAI Business School*, Kolkata

Pareto Honouring Poverty Reduction

Kumara P.H.T., Lecturer, *Uva Wellasa University of Sri Lanka*

Decomposing Spatial Inequality in Sri Lanka: A Quantile Regression Analysis

Mario Negre, PhD Scholar, *Jawaharlal Nehru University*, New Delhi

Conceptualising and Measuring Pro-Poor Growth: A Case Study of Honduras

Discussants

Bhaskar Dutta, Professor, *University of Warwick*

Siddiqur R.Osmani, Professor, *University of Ulster*

Sudipto Mundle, Professor Emeritus, *National Institute of Public Finance and Policy*

Winston Dookeran, Political Leader, *Congress of the People*, Trinidad

1500-1700

Parallel Session II: **Gender-Based Discrimination, Women's Autonomy and Governance**

Venue: Hall No. 4

Chairperson

Bina Agarwal, Professor, *Institute of Economic Growth*, New Delhi

Presentations

Arjun Singh Bedi, Professor, *Institute of Social Studies*, The Hague and **Sharada Srinivasan**, Assistant Professor, *York University*, Canada

Tackling Daughter Deficits in Tamil Nadu, India

Jas Ellis, PhD Candidate, *London School of Economics*

Son Preference and Sex Ratios: How Many 'Missing Women' are Missing?

Sunny Jose, Associate Professor, *Institute of Development Studies*, Jaipur

Does Female Autonomy Lead to Their Better Nutritional Attainment? Evidence from India

J.Vanishree, Lecturer, *Gandhigram Rural University*, Tamil Nadu, India

Women in Local Governance: An Analysis of Their Agency Functions

Discussants

Sabina Alkire, Director, *Oxford Poverty & Human Development Initiative*, University of Oxford

Mahendra Dev, Chairperson, Commission for Agricultural Costs and Prices, Govt. of India

Sakiko Fukuda-Parr, Professor, *The New School*, New York

Niraja Gopal Jayal, Professor and Chairperson, *Centre for the Study of Law and Governance*, Jawaharlal Nehru University, New Delhi

1500-1700

Parallel Session III: *Unfolding of the Market Economy: Issues of Wages, Consumption and Insecurity*

Venue: Hall No. 3

Chairperson

Abhijit Sen, Member, Planning Commission, Govt. of India and Professor, *Jawaharlal Nehru University*

Presentations

Gaurav Nayyar, D.Phil Candidate, *University of Oxford*

The Demand for Services in India: A Mirror Image of Engel's Law for Food?

Shirin Akhtar, Lecturer, *Zakir Hussain College*, University of Delhi

Wage Discrimination as a Result of Gender Bias: A Case Study of Delhi

Debdulal Saha, PhD Scholar, *Tata Institute of Social Sciences*, Mumbai

Decent Work in the Urban Informal Sector: A Study of Street Vendors in Mumbai

Varinder Jain, Research Scholar, *Centre for Development Studies*, Thiruvananthapuram, Kerala

Economic Insecurity and Endangered Freedom to Decent Life: Examining Inter- and Intra-Household Differences

Discussants

Dipak Mazumdar, Professor, *University of Toronto*

Ajit Ghose, Formerly Senior Economist, *International Labour Organisation*

Minar Pimple, Deputy Director-Asia, *UN Millennium Campaign*

Ashwani Saith, Professor, *Institute of Social Studies*, The Hague

1500-1700

Parallel Session IV: *Limits of Democracy, Markets and Civil Society*

Venue: Hall No. 2

Chairperson

Jean Drèze, Visiting Professor, *Allahabad University*

Presentations

Swagato Sarkar, D.Phil Candidate, *University of Oxford*

Representation, Exclusion and Development: The Crisis of Indian Populist Politics

Aseem Prakash, Senior Fellow, *Institute for Human Development*, New Delhi
Caste, Markets and Accumulation: Dalit Entrepreneurs in Urban Middle India

Aisulu Masykhanova, Professional Development Intern, *Aga Khan Foundation*, U.S.A
Does Bonding Limit Bridging? Social Capital and the Indian Community in Uganda

Eric Perich, Post Graduate Student, *Wayne State University*, USA & **Fuad Hasanov**, Associate Professor, *Oakland University*, USA
Violent Crime: Does Happiness Matter?

Discussants

Sunil Khilnani, Director, *South Asia Studies*, *The Johns Hopkins University*, USA

Ashutosh Varshney, Professor, *Brown University*, USA
Ingrid Robeyns, Professor, *Erasmus University*, The Netherlands

Surinder S Jodhka, Director, *Institute for Dalit Studies* and Professor, *Jawaharlal Nehru University*

1700 -1715: TEA BREAK

1715-1845

Parallel Session V: **Institutions Affecting Inclusion**
Venue: Hall No. 2

Chairperson

S.K. Thorat, Chairperson, University Grants Commission and Professor, *Jawaharlal Nehru University*, New Delhi

Presentations

Victor Kotsev, Graduate Student, *University of Notre Dame*
Peace and/or Justice? A Discussion of Some Legal and Moral Dilemmas Involved in the ICC Court Case against the LRA in Uganda

Nishith Prakash, Assistant Professor, *Ohio University*
Impact of Reserving Jobs for Minorities on Labor Market Outcomes: Evidence from India

Smita Das, Doctoral Candidate, *University of Ulster*
Caste, Religion and Poverty in India: An Analysis of 61st Round NSS Data

Discussants

D. N. Reddy, Formerly Dean, *School of Social Sciences*, *Hyderabad University*

K. P. Kannan, Member, National Commission for Enterprises in Unorganised Sector, Govt. of India and Professor, *Centre for Development Studies*, Thiruvananthapuram

Rajat Deb, Professor, *Southern Methodist University*

1715-1845

Parallel Session VI: **Philosophical and Analytical Issues: Rational Choice, (Un)Freedom and Construction of Knowledge**

Venue: Hall No. 3

Chairperson

Rizwanul Islam, Special Advisor, *International Labour Organisation*, Geneva

Presentations

Barada Laxmi Panda, Research Scholar, *Indian Institute of Technology*, Bombay

Sen on Rational Choice

Swapnendu Banerjee, Lecturer, *Gokhale Institute of Politics and Economics*, Pune

Gestational Surrogacy Contracts: Altruistic or Commercial? - A Contract Theoretic Approach

Ann George, PhD Candidate, *Madras Institute of Development Studies*

Freedoms and Un-freedoms of the Poor: Learning from Their Lived Experiences

Discussants

Satish Jain, Professor, *Jawaharlal Nehru University*

Kaushik Basu, Professor and Chairperson, *Department of Economics, Cornell University*

Maurice Salles, Professor, *University of Caen, France*

1715-1845

Parallel Session VII: **Global Economy: Issues in Production Chains, Outsourcing and International Migration**

Venue: Hall No. 4

Chairperson

Isher Judge Ahluwalia, Chairperson, *Indian Council for Research on International Economic Relations*, New Delhi

Presentations

Mallika Shakya, Economic Anthropologist, *The World Bank*

Mao's Cultural Capital in Nepal: How Nepal Designs Readymade Garments for the Global Market

Rukmini Tankha, Research Associate, *Institute for Human Development*, New Delhi
Work, Work Organisation and Freedom: Findings from an Exploratory Study of Call Centre Employees

Hyejin Ku, Assistant Professor, *Florida State University*
Labour Migration as Price Arbitrage: Theory and Evidence from Mexican Workers in the USA

Discussants

Barbara Harriss-White, Director, *Contemporary S. Asia Studies Programme, University of Oxford*
S. Subramanian, Professor, *Madras Institute of Development Studies*
Gerry Rodgers, Former Director, *International Institute for Labour Studies, Geneva*

1715-1845

Parallel Session VIII: **Perspectives and Issues in Credit and Credit Delivery**
Venue: Hall No. 6

Chairperson

G K Chadha, Member, Prime Minister's Economic Advisory Council and Chief Executive, *South Asian University*

Presentations

Rajlakshmi Mallik, Associate Professor, *NSHM Business School, Kolkata*
Identifying the Credit Rationed Households: Some Observations from Assam

Suman Ghosh, Assistant Professor and Eric VanTassel, Chairperson, *Dept of Economics, Florida Atlantic University*
Mission-Drift in Microfinance Institutions

Kaniska Dam, Assistant Professor, *Centre for Research and Teaching in Economics, Mexico City*
A Two-Sided Matching Model of Monitored Finance

Discussants

Alakh N Sharma, Professor and Director, *Institute for Human Development*
Ravi Srivastava, Member, National Commission for Enterprises in Unorganised Sector, Govt. of India and Professor, *Jawaharlal Nehru University*
Ravi Kanbur, Professor, *Cornell University*

Abstracts

Does Bonding Limit Bridging? Social capital and the Indian community in Uganda.

Aisulu Masyllkanova

Human history has witnessed an ever-increasing movement of people, with more and more communities living in multicultural, multiethnic, and multi-religious societies. In the last decade, social scientists have used the term “social capital” to describe networks within and between these communities as a resource. This paper analyzes bonding social capital within the Indian community in Uganda and bridging social capital between the Indian and African Ugandan communities. For the most part, the Indian community’s economically and socially beneficial bonding social capital has prevented its members from building bridging networks with the Ugandan community. Both bonding and bridging forms of social capital are necessary for a healthy heterogeneous society that has the potential to prevent violence and transform conflicts peacefully.

First, I discuss the theories of social capital and provide relevant historical context to the Indian community in Uganda. Next, I evaluate bonding networks within the Indian community and bridging networks between the Indian and Ugandan communities focusing on associational membership and participation as a form of social capital. Finally, I provide recommendations on how to enhance bridging networks and identify the implications of this case study for peacebuilding. In total, there are 34 Indian associations based on caste, culture, state, religion, interests, and cause under the umbrella of the Indian Association of Uganda (IAU). I rely on 46 interviews conducted mainly with leaders and members of the 28 of these associations, personal observation, and conversations with Indians and Ugandans over a six-month field research from July through December 2007 in Kampala, Uganda. Given the difficulty of reaching populations for my study, I employed “snowball sampling” and do not claim to represent the Indian community as a whole. I chose persons who met the criteria to be included in my study and I used their references to recruit other references. The interviews represent the perspective of the leadership of the Indian community.

Compared to many violence-ridden societies in the world, there is limited physical violence between the Indian and Ugandan communities. However, the history of colonialism and expulsion and the economic differences between the two communities present an interesting case study. Immigration literature widely discusses immigration from the developing to developed countries where the newly

arriving immigrants are economically and politically disadvantaged. The Indian community, which constitutes a significant portion of the mobile immigrant population in Uganda, presents a different phenomenon because it holds considerable economic power. This paper focuses on a missing theme in peace studies literature— analysis of how economically privileged and mobile immigrant communities relate to their host societies.

This case study demonstrates that strong bonding networks have limited Indian community's contact with Ugandans on the cultural and relational levels. This has prevented the founding of shared values on which to build bridging networks. Those Indians who have bridging networks with Ugandans have built these ties based on common faith or through having multiple identities. This paper recommends that contact between the Indian and Ugandan communities at the cultural level should be increased to improve understanding and decrease stereotypes and prejudice. Bridging social capital, however, must not undermine bonding or Indian identity as that is likely to meet resistance from the Indian community.

The importance of cross-cutting relationships for peacebuilding has been already extensively discussed by peace studies scholars. Analysis of such relationships through social capital, however, recognizes the potential economic and social benefits from these resources. Furthermore, such analysis provides opportunities to link peacebuilding to economics, political science, and sociology. The negative relationship between bonding and bridging that this case study finds indicates that it may be necessary to focus on building bridging networks rather than strengthening bonding as a violence prevention measure.

In the face of globalization, there is an increasing number of mobile and privileged minorities living in various countries. Thus, a theoretical framework for this phenomenon's implications for peacebuilding is necessary. Furthermore, research on the formation of social capital in less privileged mobile groups, such as refugees and internally displaced persons is needed. There are cases when violence erupted despite the existing bridging networks or in "homogenous" societies. For example, despite the bridging ties between the ethnic groups, the Serbian leaders were able to manipulate the masses through religious and nationalist mythology that led to genocide in Bosnia. Further research is needed to identify what differentiates societies with bridging social capital that lapse into violence and those that do not. This demonstrates the need to link literature on violence and social capital.

The limitations of this research include the internal cleavages within the Indian community and bridging with communities in the country of origin that I have not researched given the limited time period in the field.



Ann George
Research Scholar, Madras
Institute of Development
Studies, Chennai, India

Freedoms and Un-freedoms of the Poor: Learning from their Lived Experiences

Ann George

Material poverty, hardships and the several vulnerabilities pertaining to the basic functionings of the poor are extensively documented in both welfare economics and development studies. Capability approach, by focusing directly on ‘beings and doings’ of the lives of the individuals goes further and enables us to look into certain less discussed complex functionings and capabilities in the lives of the poor.

Making use of this leeway, this paper looks into the complex functioning of what it means to ‘be poor or disadvantaged’ in an unequal world. Specifically, I examine two related dimensions. Firstly, what constitutes the poignant sufferings and satisfactions of the poor? While academicians and policy makers highlight the disadvantages characterizing the lives of the poor, this paper examines the main themes, concerns and categories which the poor themselves recount in their life stories, which might not have received adequate attention in theorizing poverty and well-being. This, in turn, gives insights into some of the ends considered valuable by the poor towards which they direct their pursuits in life. Secondly, how are their aspirations and efforts being shaped for transcending the situation of poverty and disadvantages, that is, for their upward mobility? These two dimensions are studied by an enquiry into the various domains of the lives of the poor individuals – from their experiences and perspectives.

Capability approach has opened the path for looking once again into the philosophy and central tenets of economics. Sen has critiqued the narrow understanding of rationality, which forms the foundational notion of economics. Broadly speaking, rationality in economics is conflated with the efficiency criterion, which is about finding the appropriate means to achieve several ends based on the principle of maximizing benefits and minimizing costs. Efficient procedure, rather than an explicit engagement with the ends, what is good or bad about such ends, who decides the ends and so on, is given the emphasis here. But Sen terms this understanding of rationality as engineering rationality and points out that this understanding has severely limited the scope of economic thinking. A wider notion of rationality, which Sen terms as ethical rationality is one which explicitly considers the ends of development. It would reflect on the society or culture which people value and would insist on periodic scrutiny by public discussion on valuable ends.

Other disciplines (especially sociology and anthropology) presenting/examining the above complex functionings, study the society and culture of the poor and give more holistic and nuanced understanding of their lives. This helps to enhance knowledge on further layers of freedoms and unfreedoms operating in their lives. The studies in these disciplines also help to make a better understanding of 'what is valuable'- a key question involved in the notion of capabilities.

With regard to the first question raised in this paper, literature dealing with lived experiences of the poor especially their own auto biographies gives an account of their most poignant sufferings and satisfactions. These in turn give important insights into 'what is of utmost or immediate value' to them. What is striking of their narratives is what they do not deal with in a dominant way. Even while, the pictures of poverty and series of constraints come out very clearly, it is not these which they are primarily recounting. Instead, the major proportion of these discussions deals with their life worlds pertaining to the various relationships, activities and events, within their community or their immediate surroundings. Their narratives also show that it is not just lacks which characterize their lives. Some of them are able to achieve agreeable self identities. This is not just due to 'adaptive preference' but also because of high scoring in some other important functionings. The possibilities to achieve positive identities and functionings define some important 'valuable pursuits' within their lifeworlds.

The second enquiry into the dimension of upward mobility aspirations and efforts reveals a deeper level at which unfreedoms could operate. Even when the goal of mobility might be 'valuable,' it might not become an effective orientation due to the absence of financial, social and cultural capital. In other words the act of 'valuing' itself becomes restricted. Capability approach stresses on direct evaluation of functionings/ capabilities from the recognition of an intermediate space which might inhibit the translation of commodities into desirable capabilities. In this case, one could see that mere provision of schooling and basic functionings would not serve the purpose of creating effective conceptualization and orienting of efforts towards achieving upward mobility.

The broader ethical rationality, which calls for an explicit consideration of the various ends of development or valuable capabilities has to be understood both at a normative level (value as desirable) and at the level of how they operate actually (value as practiced in everyday lives). It can be that the individual could hold a value as desirable norm but might not or cannot strive to attain it. The value might not become an effective orientation. It might also be that the individual might agree that a particular value is negative but still pursues it. While the poor people covered by quick participatory surveys may tell us 'what is valuable', their prioritization or gradation of their different valuable ends (satisfaction of ascribed roles rather than security or mobility, entertainment and relaxation rather than savings) could be understood better from the actual practices revealed from their life experiences.

This paper draws the inference that particular decisions of the poor, like the manner and extent of their participation in a poverty alleviation program are influenced by their weighing of the several concerns of their life worlds along with the material and non

material expectations from the program. This aspect is important in understanding the failures of several poverty alleviation programs, which generally assume that the poor would work 'rationally' for their betterment- for maximization of their economic benefits. Capability approach by calling for an explicit consideration of the several ends for which the individuals strive allows us to understand that the goal of income maximization and material improvement might be only one among the several valuable ends.

1. This paper is part of my ongoing Ph.D research on the multiple dimensions of poverty in Kerala, under the guidance of Prof. Padmini Swaminathan.

Tackling Daughter Deficits in Tamil Nadu, India

Arjun Singh Bedi and Sharada Srinivasan

A well-known feature of demographic trends in several East and South Asian countries is the continuing decline in the proportion of females to males. In contrast to the female-male population ratio in Europe and the United States which is about one and the sex ratio at birth which typically lies between 944 and 952 females per 1000 males, unusually low female-male population and sex ratios at birth have been recorded in Bangladesh, China, India, Nepal Pakistan and South Korea. In terms of temporal patterns, for a large part of the previous century India has witnessed a steady decline in its population sex ratio, reaching its lowest ever recorded ratio of 927 females per 1000 males in 1991. While the 2001 Census points to a slight improvement in the overall population sex ratio, the proportion of girls to boys or the sex ratio for the 0-6 age group continues to decline. This ratio has fallen from 976 in 1961 to 927 in 2001. In China, there were 901 girls born for every 1000 male births in 1985 while the corresponding numbers in 1995 and 2005 were 806 and 826. South Korea witnessed a decline in sex ratio at birth from 914 in 1985 to 865 in 1994 and since the mid-1990s has experienced an increase in the rate (Chung and Das Gupta, 2007). While the decline in sex ratios has attracted scrutiny in these three countries and other parts of the Indian sub-continent, concerns about the decline in the number of females is emerging in other Asian countries, such as Vietnam, and also within countries.

Early work on sex ratios in India pointed out a sharp regional dichotomy with masculine sex ratios in the north and the west and less adverse female to male sex ratios in the south and the east. More recently, based on an analysis of the 0-6 sex ratio in the Eastern state of Orissa, it has been argued that this diagonal divide is no longer valid. Similarly, despite the relatively high status of women, the Southern state of Tamil Nadu has recorded a steady decline in its 0-6 sex ratio. This ratio has fallen from 985 in 1961 to 942 in 2001 and some of the districts with the most unequal 0-6 sex ratios in the country lie within the state.

While it is often argued that a shortage of women may have positive consequences for them, empirical evidence on this issue is scarce. Indeed, the implications of a growing female deficit in India are yet to be understood and contrary to the idea that scarcity of women “tends towards value” (Samuleson, 1985), the shortage of women in the North Indian states of Haryana and Punjab is reported to have led to a rise in marriage migration, abduction and kidnapping of girls and forced polyandry (Hivos, 2005; Kaur, 2004). Departing from the idea of a scarcity induced increase in value of women, Edlund (1999) argues that the greatest danger associated with pre-natal sex determination is the emergence of a female underclass with low-status parents opting for daughters and high-status families opting for sons. Reports of girls from lower castes, where the sex ratio is not as adverse, being sold to upper caste families for marriage (Aravamudan, 2007; Hivos, 2005; Kaur, 2004) is consistent with this idea.

Despite these grim possibilities, there is limited work on documenting and examining the effectiveness of interventions that have been used to prevent daughter elimination. While daughter shortages in the Southern Indian state of Tamil Nadu are not as severe as in North India, the state has pioneered initiatives to measure daughter shortages and has been active in introducing programs to prevent daughter elimination, some of which have been considered for introduction on an all-India basis. For instance, Tamil Nadu is the only state in the Indian union that frequently conducts vital event surveys which are representative at the district level. The availability of district-level panel data on infant mortality and sex ratio at birth covering the years 1996 to 1999 and then again in 2003, periods which may be characterized by sharp differences in programs and initiatives to prevent daughter elimination combined with cross-district variation in these programs, provides an unusual opportunity to examine the link between interventions and both pre- and post-birth daughter deficits. Set against this backdrop of temporal and spatial variations in interventions to prevent daughter elimination, this paper examined changes in daughter deficits between 1996-1999 and 2003 and attempts to identify the causal effect of government and NGO interventions on daughter shortages.

We find evidence of daughter deficit in at least half the state's districts with a majority of the deficit (60 to 70 percent) occurring before birth, potentially due to sex selective abortion as compared to after birth due to female infanticide and neglect. The temporal analysis over the period 1996-1999 and 2003, shows a 46 percent decline in post-birth deficit, without a corresponding increase in pre-birth deficit. Our difference-in-differences estimates suggest that at least 79 percent of the decline in post-birth deficit may be attributed to the set of policy interventions pursued by the state and civil society actors.

Sen on Rational Choice

Barada Laxmi Panda

In this paper, I would like to critique Amartya Sen's notion of rational choice. Rational choice per se has been part of the study of many theoretical discourses. It has been discussed in the field of micro-economics, politics and moral philosophy, etc. Moreover, the paper delves into the epistemic content of making choice. Making a choice is commonly defined as rational action. Rationality helps in stating the justified reasons for making a choice. And in the process of providing justification, one also evaluates the content of choice. Moreover, participation in this exercise, according to Sen, entails 'maximization of self interest.' The agent intends to make rational decision in order to achieve the maximum self satisfaction.

Sen goes further to illustrate the notion of agency which plays a significant role in theorizing the notion of rational choice. One may prove oneself intelligent by making a best rational decision, but that is not sufficient to accomplish the significance of rational choice theory. According to Sen, a rational agent must be a moral agent. Hence, the rational choice must involve certain basic moral features such as commitment, obligation, sympathy, etc. The lack of commitment on the part of the agent is not warranted. It could transform the whole content of choice negatively proving the agent as one of the irresponsible rational agents. The telos of emphasizing the moral content of choice is to recommend that maximization of self-interest should not harm the welfare of the 'others'.

Sen has also argued about three important points, such as; self-centred welfare, self-welfare goal and self-goal choice. He says that in a self-centred welfare a person's welfare depends only on his own consumption, which rules out sympathy and antipathy towards others as well as the effects of processes and rational concerns of one's own welfare. In the self-welfare goal, a person's only goal is to maximize his own welfare which rules out incorporating within one's own objectives to the extent that it influences the person's own welfare. On the other hand, in the case of self-goal choice agent's choice must be based on the pursuit of his own goals which rules out being restrained by the recognition of the others' goal except to the extent that these goals shape the person's own goal. These are considered as the traditional model of rational behaviour.

The paper will contain three sections. In the first section of my paper I would like to discuss the notion of rational choice theory as discussed in the general way as well as discussed by Sen in which the importance involvement of the self comes into the focus. But though the self is considered as the centre in a rational choice theory, sometimes it happens that one's own welfare is affected by the welfare of others. It may happen because of the sympathy, commitments and obligations for others which are beyond the condition of self-centred welfare. Sympathy, commitment and obligations are not the same sort of thing and there is a big difference between sympathy and commitment. For Sen, commitment is a part of rational choice theory. He has taken self-interest, sympathy and commitment as the motivational terms. According to Sen, one acts from self-interest when one aims at maximizing one's welfare, where welfare is understood as depending exclusively on the goods enjoyed by oneself. Sympathy requires us to depart from such a narrow conception of welfare. One acts from sympathy when one's own welfare is affected by how others are doing-for example, when helping others make one feel better or feeling depressed at the sight of misery of others. As such, sympathy can fairly easily be accommodated in rational choice. Commitment, by contrast, refers to a kind of behaviour which is motivationally unrelated to the agent's welfare, however broadly defined. One acts from commitment, for example, when one feels compelled to intervene in a certain matter, even if doing so leaves one worse-off. Amartya Sen defines that Commitment is concerned with breaking the tight link between individual welfare (with or without sympathy) and the choice of action (for example, being committed to help to remove some misery even though one personally does not suffer from it). The notion of welfare leads to the normative aspect of the action. So my focus in the second section will be on the normative as well as the intentional aspect of commitment which is a part of rational choice. I would also like to discuss in this section the rational choice given by Philip Pettit in response to Sen's view and Aristotelian theory of rational choice. In the last section of my paper I would like to discuss about the moral responsibility of the person in terms of freedom or freewill. As we discuss that sympathy and commitment as a part of rational choice theory, so a person must be morally responsible for his sympathetic or committed actions. But moral responsibility can be understood from two prospective; external and internal prospective. A person is morally responsible from the external prospective only if it would be morally justified for someone to hold that person responsible for what he has done. Here the notion of justification seems quite important. This source of justification comes from the third-person point of view. But the moral responsibility of a person states the first-person justification or it is the prospective from the subjective point of view. This notion of moral responsibility from the subjective is deeply attached with the person's freedom of will. The concluding part of the paper will show the result of a thorough examination of the rational choice theory and its normative significance in human action.

Are We There Yet? Escaping Poverty Trap with Redistribution Policy

Benjarong Suwankiri

Previous studies on poverty traps view redistribution as futile against the vicious cycle of poverty. I set out to address simple, but subtle, questions: Can redistribution help all the poor population escape the poverty trap? And if so, will the redistribution policy survive the political process to fulfill its purpose? To shed lights on the answers, I use on a specific model of poverty trap studied in Galor and Zeira [1993]. Although my result on redistribution can easily be generalized, there are two reasons why I choose to restrict myself this way. First, in return for the specificity, I can discuss comparative implications using the model's structural parameters. Much more and sharper insights can be drawn from the study that way. The second reason pertains to the second question I want to address. Specific model will allow me to write down a closed form system, to which I could further investigate the political preference of individuals in the economy.

A theoretical work by Galor and Zeira [1993] is one of the most eminent and seminal accounts of a poverty trap. In this influential paper, the authors have demonstrated the importance of initial income distribution to macroeconomic outcomes. They focus on how income distribution affects the long-run performance of the economy through decisions on investment in human-capital. In the presence of capital market imperfections and indivisible cost to human-capital, the model exhibits multiple steady states, one is preferable to the other. Regrettably, equal distribution does not equal good equilibrium. If per capita wealth in the economy is below the threshold, the egalitarian redistribution will pull everyone down into the poverty trap. Non-unique steady states imply that the initial level of wealth will eventually determine who ends up where. The long-run performance of a country is "affected by the initial distribution of wealth, or more specifically by the percentage of individuals who inherit a large enough wealth to enable them to invest in human capital [Galor and Zeira [1993], p. 51]." Accordingly, the best one-shot redistribution policy for any poor country is to push as many dynasties as possible pass the threshold. This may even entail taxing the poorer quarter and giving the revenue to the richer group in the economy, in order to minimize any transfer of wealth.

It turns out that, indeed, a careful dynamic redistribution can be an escape for the economy out

of the poverty trap. In the paper, I carefully crafted a scheme of taxes and transfers that get this result. First, I push one dynasty pass the poverty threshold, and then I patiently wait for wealth accumulation in the economy. Once sufficient amount of wealth is available in the economy, I again push another dynasty over the threshold. By recognizing the usefulness of the model's structure, I exploit the properties of its dynamics. I further show that this redistribution scheme will achieve the result of economic development not just in its limit. My result guarantees that everyone will be on the path to higher steady-state in finite number of periods. However, it should be emphasized that, despite the possibility of an escape out of poverty traps, poverty tends to be long-lasting. These results support the viewpoint that gradual transformation can achieve superior economic outcome than the "big-bang" style.

Unfortunately, the redistribution scheme will not survive the political struggle. The redistribution scheme is pro-poor at the expense of the rich. Once the rich dynasties amass enough political support, they will stop the redistribution. This struggle tells us how inequality may slowdown poverty reduction effort. As an economy posits into the middle income group, it may appear more difficult to reduce poverty at the same rate as before. I suggest that this political economic result should raise awareness about redistribution and the incentives of the skilled workers. However imperfect and incomplete the model is, policymakers must not rely entirely on redistribution as the source of income for the poorer households.

Using this paper, I argue for a policy mix that balances both growth and redistribution objective. Government should provide education subsidies, while making sure that the rewards to being skilled remain high. Krusell et. al. [2000] concludes that "the key to narrowing inequality is better education and training for unskilled workers [p. 1047]." I add one additional point that resonant Easterly [2001]: we must not destroy incentive to invest in human capital. Prosperity of the economy should, at the end, come from institutional supports and reforms in congruence with technological advancement, not from redistribution alone.

One doesn't know what rayat/chashi is speaking about

Debarshi Talukdar

This paper asks: how knowledge/understanding is possible across historical distance or how knowledge/understanding is possible across cultural difference? This paper is grappling with the question of knowing or for that matter the question of understanding that connects 'I' and 'you'. In the dominant mode of thinking, 'I' is the Subject of Knowledge and the 'you' is represented as the object of knowledge where 'I' poses questions (knowledge) and listens to 'you' simply in order to judge his or her epistemological horizon. In this paper we would like to question this kind of epistemological (im)position; we would also question the invocation of a pre-given language that reduces the complex social and the contradictory textuality of personhood into the language of the centrism of the categories.

We have charted out the available options left for the peasants. Either peasants leave their land for the setting up Industry or remain a peasant hooked to the circuits of global capital. The question remains as to why peasants need to leave their land for the setting up industry or why they need to hook to the multinational companies. Either way, the options are tied to global capital. Global capital is thus the center or the axis in terms of which the peasant has to think the future. It is in this context, that this paper would like to explore whether one could think of any other option other than the given two. The given of the present is that for the sake of (Capitalist) Development (a non-Marxist argument) or for the 'unleashing of the forces of production' (a historical materialist and a Marxist argument) peasants need to do either of the two. We would like to ask: how do the peasants become the 'object of the Other's history' (the Other being Capital and the West) or for that matter, how do the peasants

become the object of an other History (where history is the teleological march from feudalism to capitalism).

Through a close reading of Tagore's *Rayater Kotha* ("narrative of the rayat/chashi"), we set up an engagement with the peasant, in the space of land reforms; keeping in mind that although all naming is somewhat catachrestic, yet the paleonymic weight matters, and hence the shift from agriculture to chash-bash (chash and bash) and from peasant to rayat/chashi could offer a different engagement with the 'phenomenological-hermeneutic' axis. In terms of the phenomenological-hermeneutic we would try to grapple with the question of how the rayat/chashi who is attached with land is trying understand her own reality, reality that is different from the language of Capitalocentric-Orientalist Development; what are her hermeneutic strategies? Hermeneutics for us is a family of related approaches that we deploy in this paper as a corrective to scientism/objectivity – as a corrective to the modern proclivity of viewing the natural sciences as models for all forms of inquiry. Hermeneutics for us is a broad rubric that encompasses attempts to provide cultural, philosophical and methodological alternatives to the quantification, naturalism, objectivism, ahistoricism and technicism that have increasingly come to dominate the 'modern' *Weltanschauung*. Our formulation partitions the hermeneutic world into three broad areas (there could be other approaches as well: say the division of the hermeneutic world into a 'hermeneutics of trust' and a 'hermeneutics of suspicion' – see R. Sunder Rajan): Methodological Hermeneutics (that thinks appropriate methods for the human sciences will diverge from those of the natural sciences), Ontological Hermeneutics and Critical Hermeneutics (that seeks to expose and criticize the ideological underpinnings of all social practices, including political and scientific activity). While all three inform this work to a large extent the second of the three – ontological hermeneutics – remains as the backdrop against which the work is set. For me, ontological hermeneutics, employs phenomenological methods, views understanding as a fundamental mode of being-in-the world, and, through an exploration of the nature of interpretation, seeks truths. It is in terms of such an approach one could think of inaugurating a narrative of the rayat/chashi, as also a narrative of chash-bash (bash is habitat, bash is forms of life, bash is refuge) as distinct from the TRUTH of agriculture and the peasant.

Decent Work In The Urban Informal Sector: A Study Of Street Vendors In Mumbai

Debdulal Saha

This paper is an attempt to understand the condition of the 'decent work' of street vendors in keeping with their financial accessibility; social security; occupational wellbeing and the social dialogue in Mumbai. 'Decent work' can be defined as protective work wherein rights are protected, specifically in terms of employment, income and social protection of the workers, which can be achieved without compromising workers' rights and social standards. This would thereby ensure poverty reduction by increasing work opportunities, rights actualisation at work, social protection and greater voice of the workers which in turn would result in improvement of workers' capabilities and their overall well-being (ILO 1999; Rodgers 2001; Chen et al. 2004; Takala 2005). One of the notions of 'decent work' is to promote "opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity" (ILO 1999, p. 3). The four major pillars of the 'decent work' are the opportunities for employment and income, the respect for rights at work, the social protection and the stronger social dialogue (ILO 1999) that are the fundamental dimensions of 'quality of life' which also lead to human development.

However, in the urban Indian economy, the small retail sector plays a very significant role by providing employment to urban poor. Small retailing including street vending has been one of the easiest ways to survive for the working poor and is wide spread in the urban informal sector in India because these retailers sell products at cheap rates, and it is noticed that this trading has been flourishing since last few decades in the Indian labour market. According to the National Commission on Labour, street vendors are identified as self-employed workers in the informal retail sector who offer their labour for selling goods and services on the street without having any permanent built-up structure (Bhowmik 2001). Around 10 million vendors in India and about 250,000 vendors in Mumbai are earning their livelihood from this profession (GOI 2004).

Literature (Bhowmik 2001; Anjaria 2006) has stated many problems of street vendors regarding their social protection, working condition, credit accessibility, and their public space utilisation. Even the National Policy on Urban Street Vendors (2004) has pointed out the major problems and

recommended policies for their livelihood conditions, social protection, economic activity, organisations or associations for collective bargaining. But the basic problem of street vendors is with respect to the right to existence in the urban informal sector. As literature shows, there is a dearth of studies exploring the aspect of 'decent work' conditions particularly in the context of street vendors, and there has been no study attempting to look at the working conditions of street vendors after the study done by Bhowmik in 2001. In this span of seven years, globalisation, liberalisation and privatisation has definitely hit the street vendors to a gigantic change in street vending. Although this sector's contribution to the country's employment generation is quite impressive, opportunities for financial accessibility, especially that available to the organised retail sector, are completely unavailable to this sector. Moreover, they have no social security, work security, safety and security at the work place.

Hence, this paper intends to understand the condition of 'decent work' of street vendors in keeping with their financial accessibility; social security in terms of maternity benefits, medical facilities, children's education, and occupational wellbeing, taking into consideration the working condition, security of work; and security and safety at work place in Mumbai. In addition, this present study also has focused on the role of organisations or trade unions or other member-based associations in protecting them for 'social dialogue', in which vendors exercise their rights and views, defend their interests and engage in discussion to negotiate work-related matters with associations, organisations, authorities or any others.

The study is based on a field survey of 200 street vendors in Mumbai. The unit of analysis of the study is street vendors in Mumbai. Mumbai has been selected among all major cities in India according to its geographical location and wide spread street trading. Three-Stage (3-Stage) Sampling method has been used to draw the sample. In the 1st Stage Unit, Mumbai had been divided into five parts (Clusters), namely, Dharabi, Jogeswari, Kandevali, Powai and Ville Parle in terms of volume of street vendors. In the 2nd Stage Unit, in each cluster, street vendors have been divided into seven 'stratum' according to their employment pattern such as garment vendors, fruit vendors, vegetable vendors and so on. In the 3rd Stage Unit, according to the heterogeneity of the number of street vendors in each cluster, a 'quota' was fixed to draw a sample from each stratum on the basis of the volume of street vendors. Street vendors were selected at random within each 'quota' in each cluster. A Structured Questionnaire was administered through personal and group interviews.

This study is explorative in nature, showing that the street vendors depend on money lenders for credit accessibility as well as for social security. Interestingly, the result shows that the street vendors are also forced to borrow at exorbitant rates of interest (amounting to 5-10% per month) for their social security purposes, that leads them into a debt-trap situation. This study reveals that there is an excessive hour of work (around 14-18 hours per day) for their economic activity where as the previous study done by Bhowmik in 2001 stated that working day was around 10-12 hours. Thus, working hours have been continuously increasing with the increase in the number of street vendors in Mumbai. There is no safety / security at the work place. These street vendors face

constant harassment from local police and the Municipal Corporation. Each vendor pays around Rs. 280 to Rs. 310 per month to the local police and the municipality as bribes. The study also explores that there is no strong social dialogue for their collective bargaining. Interestingly, it is perceived that competition among street vendors has been increasing; and level of income and working conditioned have been continuously deteriorating since last 5 years, especially after expansion of organised retailers.

Violent Crime: Does Happiness Matter?

Eric Perich, Fuad Hasanov

What causes violent crime? One of the most recent attempts to answer this question in a popular context was by Michael Moore, in his 2002 film, *Bowling for Columbine*. In contrast to many previous studies, including the economics of crime literature, Moore was concerned with the causes of crime on an international level, specifically why the United States seemed to have higher levels of crime than other countries. Moore was puzzled that the United States seemed to have a higher rate of violent crime than other developed countries despite the fact that reasons popularly thought to contribute to the rate of violent crime, such as violent video games, movies, and music are also present in other countries at levels at least as high as in the United States. In addition, why was the violent crime rate much lower in Canada than in the US although both countries had a lot of guns and were similar culturally? The explanations that Moore seemed to offer all consist of factors involving attitude or emotion, whether good or bad. These factors include low levels of violent crime in Canada because of extraordinarily high levels of trust, and high levels of violent crime in the United States because of high levels of fear.

This paper builds on the suggestions made in Moore's film and considers the role of attitudinal and emotional factors in affecting a country's crime rate. In contrast to existing economics of crime literature which simply considers financial incentives, we consider the net happiness level in a country. Net happiness is used because it is a good proxy for the net effect of other emotional factors of a country's residents and its influence on their attitudes and behaviors.

Existing literature assumes that all economic actors respond to the same set of incentives in identical ways. In reality, individuals may react to similar incentives in differing ways based on their beliefs, behaviors, and attitudes. For example, if there are higher returns available in the illegitimate sector than the legitimate sector, even after adjusted for risk and all other relevant factors, an individual may not choose to pursue these higher returns.

While traditional economic theory often assumes all individuals to be rational agents in pursuit

of maximum returns, it is more appropriate to think of individuals as instead maximizing utility, incorporating psychological and social factors. Because individuals have diverse interests and needs, their utility is often affected by factors other than income and consumption. Intangible elements that affect a person's utility include such things as spiritual fulfillment and the "warm glow" of doing the right thing. Thus, even if an individual's income or consumption increases, the individual's utility may actually decrease if the increase in income or consumption was obtained through illegitimate means (whether illegal or simply immoral).

The basic empirical framework in this paper uses the core model of Fajnzylber, Lederman, and Loayza (2002a) as a benchmark model. The benchmark model assumes that a country's crime rate in any specific year is a function of the previous year's crime rate, the rate of economic growth (as measured by % annual change in GDP), average income (log of GDP per capita in constant 1995 international \$), income inequality (the Gini coefficient) and educational attainment (gross % secondary school enrollment). In Fajnzylber, Lederman, and Loayza (2002a), only the GDP growth rate and inequality were found to be statistically significant. Thus, it is not surprising that Fajnzylber, Lederman, and Loayza (2002b) argued that inequality is the only factor that significantly affects the rate of crime in a country. However, because our study uses a different sample of countries as well as a different time period, we estimated Fajnzylber, Lederman, and Loayza's (2002a) model for our specific sample. We then added net happiness for our study.

Our first model was a cross sectional estimation of Fajnzylber et al.'s core model: economic growth, per capita income, income inequality, and education; using the average values from 1998-00 for each variable. As expected, inequality was significant and positive. We then added net happiness. Net happiness was significant and negative, while inequality was still significant and positive, but decreased slightly in magnitude (from 0.2251 to 0.2076). For our third model, we lagged economic growth, per capita income, and income inequality, to correct for possible endogeneity. In this model, inequality and happiness were both still significant, but inequality decreased slightly in magnitude (from 0.2076 to 0.1885), and net happiness increased slightly in magnitude (from -0.0802 to -0.0857).

To correct for simultaneity, we also estimated the previous models using two stage least squares, instead of ordinary least squares. We used infant mortality and the log of life expectancy as instruments for net happiness. As before, in both the contemporaneous and lagged models, inequality was significant and positive and net happiness was significant and negative. Alternatively, we used dummy variables for countries with a majority of Buddhist, Christian, Hindu, or Muslim adherents as instruments for net happiness. While other estimations did not show a relationship between the presence of any of those religions and a country's crime rate, religious practice can lead to spiritual fulfillment and increased happiness. Two stage least squares with the religious variables as instruments yielded similar results to the other two stage least squares estimation with public health (life expectancy and infant mortality) variables as instruments.

We were able to show a significant relationship between a country's rate of violent crime and its net happiness level, even after accounting for those factors previously found to have a significant effect on countries' violent crime rates. This could be due to the hypothesis of Neumayer (2005) that income inequality's effect on crime rates is a signal for cultural factors. Or, as asserted throughout Moore's film, it could be evidence that attitude and emotional factors play a significant role in a country's violent crime rate. In either case, we have shown that models that seek to explain a country's violent crime rate solely through financial factors are incomplete without also considering behavioral factors.

The Demand for Services in India: A Mirror Image of Engel's Law for Food?

Gaurav Nayyar

India's development experience over the past fifty years suggests that the increasing importance of the services sector deserves attention, in terms of explanation and analysis. In the literature, changing patterns of demand as an explanation for the increasing importance of the services sector has received special emphasis. The early work of Clark (1940) and Kuznets (1971) argue that the income elasticity of demand for agricultural goods is low; that for industrial, particularly manufacturing goods is high; and, for services, it is still higher. Hence, with rising levels of income, the demand for agricultural products declines, relatively, while that for manufacturing goods increases. Moreover, after reaching a sufficiently high level of income, demand for services increases sharply. Fisher (1935) refers to this transformation as a "hierarchy of needs", defined by saturation of demand for manufacturing goods and high-income elasticity of demand for services.

At a glance, the high income elasticity argument appears to have some merit in explaining the rapid growth of the services sector in India. Data at the macroeconomic level shows that private final consumption of services has grown at almost the same rate as value added in services during the last two decades. This suggests that increasing final demand for services has been largely responsible for the increasing share of the services sector in total output. However, in order to establish the significance of rising final demand as an explanation for the increasing importance of the services sector, it is imperative to analyse patterns of expenditure at the level of the household. The objective of this paper is to estimate demand-side relationships for different consumer services. In doing so, it seeks to focus on estimating Engel curve-type relationships for services in the aggregate and for six categories of services: education services, health services, entertainment services, personal services, communication services and transport services. The scope of the paper is limited to a cross-sectional analysis of household survey data from India for two points in time: 1993-94 and 2004-05. It is important to emphasize the fact that such an exercise has not been attempted in the literature on India.

In order to analyze patterns of expenditure for different consumer services at the level of the household in India, a necessary condition is the availability of consumption data at the level of the household. Surveys on consumer expenditure, conducted regularly by India's National Sample Survey

Organisation (NSSO), collect such micro-level data, thereby providing the opportunity to carry out empirical research hitherto not done. For this paper, data are taken from two of the seven comprehensive quinquennial surveys on consumer expenditure conducted in independent India: the 50th round of the National Sample Survey conducted during the period from July 1993 to June 1994 and the 61st round of the National Sample Survey during the period from July 2004 to June 2005. The former has a sample size of 115,354 households while the latter has a sample size of 124,644 households. These large sample sizes are a real strength of the econometric analysis carried out in the paper.

As is the case with surveys on consumer expenditure, a large number of households report zero expenditure on the different categories of services. Given this, the estimation of Engel curve-type relationships by Ordinary Least Squares results in biased and inconsistent parameter estimates. Hence, following the literature, we estimate Engel curves for different services using two non-linear estimators: Tobit models and censored quantile regression models.

The Tobit estimates reveal upward sloping Engel curves for services in the aggregate and for each category of services under consideration. Given that Engel curves are specified as the relationship between the household budget shares allocated to a particular service and total household expenditure, this implies that aggregate services, education services, health services, entertainment services, personal services, communication services and transport services are all luxury or superior goods, i.e. mirror images of Engel's Law for food. This is a powerful result for explaining the increasing share of the services sector in total output as it shows that services take up a larger share of household budgets as incomes or expenditures increase. Importantly, the robustness of these estimates are verified by the inclusion of several control variables and the use of instrumental variable estimation. Subsequently, we analyse any potential non-linear effect of total income or expenditure on the budget share allocated to different services. In doing so, we find that Engel curves for aggregate services, transport services and personal services are convex going upwards while that for communication services is entirely linear. This implies that there is a consistent increase in the household budget share allocated to these services as total expenditure increases, thereby implying that they are luxury goods at all levels of income. In contrast, we found that Engel curves for education services, health services and entertainment services are concave going upwards. However, this non-linearity is driven by outliers, i.e. a few number of very rich households.

The set of results from the Tobit estimation are reinforced by our quantile regression estimates, which revealed upward sloping Engel curves for all categories of services and for services in the aggregate. Moreover, these results show that the increase in the household budget share allocated to a particular service increases more for high-consuming households relative to low-consuming households, as total household expenditure increases.

In sum, Engel curve-type relationships established for six types of services and for services in the aggregate using household consumption data reveal that services take up a larger share of household budgets as incomes or expenditures increase. This rigorous

micro-econometric analysis lends credence to the view that high income or expenditure elasticities of demand for services are an important explanation for the increasing importance of the services sector in India. The use of two alternative estimation methods, instrumental variable estimation, and an analysis of the same hypotheses at two points in time ensure the robustness of our results.

Labor Migration as Price Arbitrage: Evidence from Mexican Workers in the US

Hyejin Ku

A well-known empirical regularity in economics is that for a wide range of goods the prices are not equalized across markets and that the real price levels or costs of living in poor countries tend to be lower than in rich ones (Balassa, 1964; Samuelson, 1964). As of 2008, the same basket of goods and services, including rent, costs 120.2 in London, 82.4 in Frankfurt, 55.9 in Prague, 49.1 in Mexico City, and 43.3 in Manila, when the price level of New York is normalized to 100 (Union Bank of Switzerland, 2008). This implies that a US dollar, if converted to pesos at the market exchange rate and spent in Mexico City, can buy twice as much as what it affords in New York City.

This paper investigates, in the context of Mexico-US migration, the differences in real prices or costs of living differences between countries as a force driving international migration and guiding the patterns of employment for migrant workers. Specifically, it argues that to the extent that the real price level in the source country is lower than that in the host country and that migrants spend their income in the source country, migration is triggered by a lower cut-off wage in the host country. This in turn implies a larger migration flow and the deterioration of the observed labor market outcomes of migrants as the real price gap widens.

A simple model of international migration with remittances (Ku, 2008) yields the following predictions: to the extent that the purchasing power of the dollar is higher relative to the peso (1) the level of Mexico-US migration goes up, (2) a larger fraction of Mexican immigrants are employed in the low-paying sector, and (3) a migrant who spends a larger share of his income in Mexico is more likely than others to be working in the low-paying sector in the US.

I examine these predictions in the actual behavior of Mexican workers during the period 1968-1996. The data come from the Mexican Migration Project (MMP), a survey commonly used in the literature, which documents US-bound migration and labor market experiences of Mexican workers. The MMP is a recall-based panel dataset at the individual level, and the sample includes migrants, many of whom are undocumented, as well as non-migrants. The main outcomes of interest are the location of an individual (Mexico vs. the US) and the occupation (agricultural vs. non-agricultural) of a migrant worker in the US.

The testable implication of the theoretical model is that controlling for individual- and time-fixed effects, real exchange rate fluctuations have a differential influence on workers depending on the number of dependents in Mexico. The intuition is that workers with dependents consume a larger fraction of their income in Mexico and thus are more likely to evaluate a US wage in terms of its purchasing power in Mexico than those who do not have any dependents in Mexico. I classify individual workers into several groups based on their family situation in a person-year, in particular, the marital status and the existence of children under the age of 18. I make the assumption that Mexican workers systematically change neither their marital status nor the number of children as a response to the change in real exchange rates in each person-year, i.e. family structure for an individual is predetermined with respect to real exchange rates. Throughout, the direct effects of real exchange rates and family types are controlled for and the identification comes from the interaction between the real exchange rates and the family types.

The empirical findings lend support to the theory. Specifically, I find that as the purchasing power of the US dollar in Mexico goes up by one standard deviation from the mean, (1) skilled workers who are married with children (the high remitting types) become 8.78 to 9.51 percent more likely to migrate to the US than singles with no children (the low remitting types) and (2) the high remitting types become 5.60 to 7.57 percent more likely to work in the agricultural (low-paying) job in the US than the low remitting types. The labor market effect is found among the migrants who newly arrived in the US but not those who have experienced the US market for longer than a year.

By investigating the notion of migration as price arbitrage, this paper contributes to the literature in two main ways. First, this paper suggests that the pressure for migration may be greater than what is predicted by existing theories alone to the extent that asymmetric purchasing power of currencies is prevalent empirically. Second, it provides a new explanation as to why immigrants from low income countries earn lower wages than natives or fellow immigrants from higher-income countries. Many studies have previously sought to understand this phenomenon and typically the explanation is found in the self-selection of immigrants on quality or transportability of imported skills. This paper argues that even after controlling for the skill levels of migrants, the real price difference between the host and source countries can in itself influence a migrant worker's labor market outcome in the host country by altering his reservation wage. Pointing out that a macro-level phenomenon, namely the deviation of the real exchange rate from PPP, can influence the occupational outcomes of migrant workers in a way that is not predicted by standard theory is one of the main innovations of this study.

Son preference and sex ratios: How many 'missing women' are missing?

Jas Ellis

Since recognition of the 'missing women' problem by Sen [1989], several explanations have been made for the high proportion of boys in a number of countries. Recent work has highlighted biological factors as a possible cause of differences in sex ratios (the number of boys per girl), notably the Hepatitis-B virus [Oster, 2005]. Conversely, a majority of authors conclude that social norms are the proximate cause, as these lead to lower survival rates for girls. To date, however, the effect of son preference in fertility decisions has been neglected, despite evidence that parents' sex preferences are mainly determined by cultural background [Ellis, 2008].

This paper estimates the effect of parental fertility decisions on sex ratios worldwide when women are heterogeneous in the probability of bearing sons. If women in a population have boys with differing probabilities, then son-preferring fertility behaviour will lead to excess girls. The extra girls borne by women that are more likely to have girls outnumber the reduction of girls borne to women likely to have boys. Previous theoretical work [Weiler, 1959, Goodman, 1961, Yamaguchi, 1989] has recognised this phenomenon in principle; I know of no attempt to quantify the effect in practice.

Like previous authors [reviewed in James, 2000], I find significant heterogeneity in the probability of having a son, suggesting that ten percent of women have boys with probabilities outside the interval [0.42, 0.61]. Accounting for parental behaviour, this heterogeneity leads to sex ratios in the range 1.043–1.051, explaining 1.5% of differences worldwide (significant at the 10% level). As the theory suggests, son preference is associated with excess girls. Thus, since previous estimates of missing women have used comparisons without accounting for these excess girls at birth, the number of women missing due to explicit discrimination may have been under-counted.

In a previous paper [Ellis 2008], I provide theoretical and empirical evidence that parents' preference for sons is mainly driven by cultural factors. I generate uniquely comparable estimates of son preference between countries, based on the behaviour of foreign-born women in the UK. Correlation between son preference is significant and negative (and robust to omission of outliers); this suggests that culturally-driven son preference may lead to a reduction in the sex ratio.

Consider an extreme example: women continue to have children until they have a son. If boys and girls are equally likely for every woman, the sex ratio in aggregate will be 1 [Weiler, 1959, Goodman, 1961, Sheps, 1963]. However, if half of women only ever have boys and half only girls, the former will obtain their son at the first birth. The latter will continue to have girls until some maximum family size is reached, and girls will outnumber boys. I prove a more general form of this result in the paper. The phenomenon relies on the existence of heterogeneity in the probability of a son.

Within-population heterogeneity of probability of having a son is significant. I provide estimates of such heterogeneity, and find homogeneity is rejected at the 0.01% level. By assuming a distribution for the probability of having a son, parameters may be obtained by maximum likelihood estimation. I find significant heterogeneity amongst a sample of 116,513 British-born women: 10% of women have boys with probabilities outside [0.42, 0.61]. My measurements are closely in line with previous work, despite the difference in estimation technique.

I simulate the effect of son preferences on aggregate sex ratios using my estimates for heterogeneity. To obtain preferences for sons, I estimate the son preferences of immigrant women in the UK. By grouping the women by country of origin, I measure the fertility behaviour in response to their existing family compositions. I can then calculate the sex ratio that would emerge in a population of women behaving this way. This simulated sex ratio is then compared with the sex ratio in the women's countries of origin.

The contribution of this paper is to establish that fertility behaviour does feasibly affect sex ratios in practice. Moreover, the bias is towards the less-favoured sex. Therefore, even though the effect I find is likely outweighed by discriminatory behaviour (such as selective abortion, infanticide or neglect), it is important because missing women cannot be measured correctly unless sex ratios at birth are properly accounted for. This reinforces the arguments made by Mayer [1999] and Griffiths et al. [2000], that sex ratios alone should be treated with caution as a measure of women's position in society: I maintain sex ratios must be treated with care when measuring the number of missing women.

A Two-Sided Matching Model of Monitored Finance

Kaniska Dam

In any economic situations that are subject to asymmetry of information, the contract between a principal and an agent may be quite different from that of the standard principal-agent model if the economy consists of many principals and many agents. This is because the presence of many principals and many agents make the reservation payoffs of the agents endogenous. Thus in a general equilibrium set-up, agents incentives are affected through an additional channel, namely their endogenous outside option.

We analyse a model of incentive contracts where principals, who differ in monitoring abilities, contract with agents from a pool of individuals differing in their wealth endowments. We model such principal-agent market as a two-sided matching game. Principals and agents are matched to form partnerships, and the matches are subject to moral hazard. Agents need to borrow from the principals to finance their projects. Differences in wealth imply differences in liability. Stability is used as the equilibrium concept. An allocation of the market is stable if there are principal-agent pair and no feasible contract for this pay that generates strictly higher payoff for both of them.

In equilibrium, agents with higher wealth are matched with principals with lower monitoring capacity following a negatively assortative matching pattern. In our model, principals' monitoring abilities and agents' wealth are substitutes in producing as well as transferring surplus within a pair. Such substitutability causes a negatively assortative matching. The payoffs of the firms and the managers are determined endogenously. More effective monitors and wealthier agents consume higher payoffs. Further, we show that a more efficient principal does not necessarily enjoy a greater share of output. This crucially depends on the relative heterogeneity of each side of the market. We also show that entry of new principals and lowering of risk-free interest rate have favorable impacts on the welfare of the agents.

Conceptualising and Measuring Pro-Poor Growth

Mario Negre

Due to its income-raising nature, growth is poverty-reducing 'per se', unless its appropriation is so unequal along the different percentiles that the poor do not benefit from it. The kind of growth that Ravallion, inter alia, defines as pro-poor is in fact a growth that simply reduces poverty, and it seems sound to name it Poverty-Reducing Growth instead. Following, among others, Kakwani and Pernia's understanding of the term, for growth to be pro-poor it should benefit the poor disproportionately more than the non-poor.

It is proposed that growth be operationally understood as pro-poor when, and only when, the growth rate of the poor is higher than that of the non-poor or, equivalently, than that of the whole population—a criterion referred to in this paper as Pro-Poor Growth (PPG) by Incidence Curve. The paper further establishes a link between a new index proposed for the operationalisation of PPG and the above definition of PPG.

There exist mainly two different methodologies used to estimate whether growth is pro-poor: the partial and the full approach. The former has the advantage that it does not require specifying either a poverty line or a poverty measure. The downside is that it is not able to provide conclusive results in all cases and does not generally provide a measure of the extent to which growth is pro-poor. The full approach, however, despite requiring a choice of poverty line and index, does have the potential to provide conclusive results. Moreover, and contrary to the first methodology, it does not take into account distributional changes that affect only the upper part of the distribution.

After reviewing the existing partial methodologies in the literature, the paper focuses on assessing PPG through the analysis of changes in poverty. A chosen poverty index of a given population can vary due to either overall gains in income or changes in the way this is appropriated, i.e. redistributional changes. Changes in poverty can thus be decomposed broken down into growth (G) and redistributional (R) effects: $\Delta P = G + R$.

As is well known, economic growth is a crucial factor for poverty reduction. However, redistribution effects of income changes are increasingly taken into account because they have the potential either to strongly foster or to hinder poverty reduction efforts. The point of looking for a PPG measure is that redistributional changes should be considered if poverty is to be tackled in a more effective manner, and targets such as those set by the Millennium Development Goals are to be achieved. This suggests that an operational PPG index could be exclusively based on the redistributional effects on poverty and later combined with the actual growth rate in mean income to obtain a measure accounting for both effects. Since trying to find a PPG index that accounts for both the growth and redistribution components is basically a problem of expressing a two-dimensional magnitude with one scalar, something which is

not possible, such an index could be simply based on the redistributive effects on poverty changes (R). The paper thus proposes that the PPG index be taken as:

$$\Phi = -R$$

The advantages of this choice are several. Firstly, we have a fully comparable index, which does not diverge to infinity every now and then. Secondly, the approach discarded by McCulloch and Baulch (1999) consisting of dividing by the numbers of years for each period because this assumes changes to be uniform during the period is, in fact, a useful one because distributional changes do not generally occur rapidly and, moreover, this allows for setting, monitoring and evaluating PPG targets, as we shall see in the next section. Thirdly, it can easily be calculated from income/expenditure surveys and interpreted. One final advantage is that it can be linked to the relative definition of PPG I argue for in this paper.

It is then proved that a negative (positive) value of the redistributive component of changes in the poverty gap (R_{PG}) corresponds to a pro-poor (pro-nonpoor) growth by incidence curve in which the mean income of the initially poor has grown more (less) than that of the whole distribution and also than that of the initially non-poor. If all incomes grow at the same rate, these terms outweigh each other and R_{PG} equals zero. The proposed PPG index satisfying the criterion of PPG by incidence curve therefore is: $\Phi = -R_{PG}$, where growth is pro-poor when $\Phi > 0$ and Pro-Non-poor when $\Phi < 0$.

A new rate of PPG combining both contributing factors to poverty reduction can be constructed as the growth rate of the mean income plus the PPG index proposed above (Φ). Note that while the growth in the mean income focuses on the whole society, R_{PG} only takes into account the effects on the poor of income redistribution. When redistribution changes in income contribute to decreasing (increasing) the mean distance of the poor to the poverty line, then the PPG rate will show a greater (smaller) value than the actual growth rate in the mean income. Thus, any poverty reduction strategy should pursue the maximisation of this new rate of PPG.

If poverty reduction targets are to be met it can be useful to resort to a PPG monitoring methodology that could help set targets and evaluate progress, particularly in cases in which lack of growth or slow growth alone is not likely to facilitate the achievement of such targets in the chosen period. Thus the need for poverty targets that rely both on economic growth and redistribution so that poor progress on the latter can be compensated by fostering the former. The paper ends by proposing the following PPG indices for evaluation and monitoring and empirically analysing the case of Honduras.

Time-adjusted PPG Index

This is defined as the index for a given period divided by the length of this period in years to allow comparison of the degree of pro-pooriness of different periods or countries.

Time-adjusted PPG Evaluation

This assesses the redistribution achieved in terms of poverty gap reduction compared to that which would have been needed to completely eliminate the existing poverty gap or to achieve a certain goal.

Target-based Future Performance Trend

Provided a prediction of how GDP and population will evolve over a certain future period, it estimates to what extent growth has to be pro-poor in order to achieve a poverty gap reduction goal.

Society and Entrepreneurship: Explaining the fruits of Mao's Cultural Capital in Nepal

Mallika Shakya

'Culture' highlights the society-specificity of motivations and deciphering, and hence its path-dependence (North, 1990). By adding the suffix 'capital,' Pierre Bourdieu (1984) brings the idea into an economic paradigm. Cultural capital may exist in embodied, objectified or institutionalized forms and are part of an individual's 'habitus.' How cultural capital regenerates over time through processes that are part tacit submission and part explicit subversion is the core of Bourdieu's discourse.

My key argument in this paper is that, despite coming from two different disciplines, Bourdieu's concept of cultural capital has many similarities with Douglass North's theory on institutions, and collectively, this discourse has a lot to offer modern economics, sociology and anthropology. Bourdieu and North both reject, first, the neoclassical notion of instrumental rationality of interests, and second, the Althusserian Marxist idea of base-superstructure dichotomy. They acknowledge that all acts and transactions are guided by interests, but their concept of interest is not a single and rigid phenomenon but a disposition that motivates action towards consequences that matter to the actor. While interests are to some extent based on human nature, they are only acknowledged and negotiated in the context of the social order.

Self-interpretation of interests is central to the argument that both Bourdieu and North make: They accept that resources are scarce and hence there will be struggles over them. But they emphasize individuals' problem of sorting through the importance of different sets of facts before calculating an optimal position. North argues that the 'scaffolds' formed by individuals to interpret the world around them are partly results of their collective cultural history, partly makings of the everyday problems they confront and must solve, and partly of their past track record of problem-solving. This is similar to what Bourdieu says regarding 'habitus.' Any action is typically incremental and path dependent but dispositional. Within a given society or economy, individuals from different backgrounds will interpret the same evidence differently, and in consequence, set different priorities based on the incentive structures they define for themselves. Bourdieu and North both contend that rationalities are not instrumental but subjective and culture-derived, and that multiple equilibria – as opposed to the

neoclassical concept of general equilibrium – are possible and prevalent.

In order to substantiate this theoretical argument, my paper will offer an ethnographic account of the experience of modern business entrepreneurs in Nepal. Using the readymade garment industry as a case study, this paper analyses the differences in the mental models of factory owners from the two ethnic groups – the Bahun-Chhetris and the Newars. I go on to show how entrepreneurs have developed differing business strategies in the context of the two specific challenges that this new industry confronted in the new millennium – one originating from global trade politics and the other originating from local State politics – further highlighting the cultural as well as the material determinants of the factory owners' actions.

The readymade garment industry comprised of about a quarter of Nepal's exports in its heydays. Its rapid growth in the 1980s and 1990s owed to export quotas from the United States (specified in the 1974 Multi-Fibre Agreement). It was initially dominated by the ruling elites Bahun-Chhetris not only because they had better relationship with the State but also because of their cultural commonalities with the Indian investors through whom Nepal learned the initial garment trade (Shakya, 2006). The industry followed a Taylorist method of mass production, inflected with a South Asian cultural logic. This mode of production, however, was not able to survive the end of the global quota system and the infiltrations of anti-capitalist Maoist movement within Nepal.

Embedded into the Taylorist mass production, evolved a more durable sub-sector of the garment industry, cultivating high-end niche markets for 'ethno-contemporary' garments. This sub-sector was almost always controlled by select few ethnic groups in Nepal, of which, the Buddhist Newars were one. They achieved this to a certain extent by using the material knowledge and networks accumulated over generations, but to a greater extent by invoking their cultural identities to acquire the political currency necessary for legitimizing their authority over the semiotics that were used to distinguish their products.

The story of the dominance of niche products over mass products has to be qualified in a broader context. Nepal is a country which lags behind its rivals in economies of scale and spatial connectivity, but it derives great cultural and economic advantages from its national brand image as the land of the Himalayan Shangri-la. What makes niche producers' cultural capital untransmittable to other castes and ethnicities is the sheer requirements of a gratuitous expenditure of time, attention, care and concern, which made its conversion possible only through a complex web of social obligations. My argument is not that the transfer of cultural capital is impossible. Contrary, I argue that in a contemporary Nepali context, the cultural barriers between castes and ethnicities have simply not been overcome.

The micro politics of ethnicity-based business alliances is embedded into Nepal's history of national politics, culture and economics. I offer a progress report of Nepal's modernization process from the late 18th century to date, which reveals layer after layer of political (and cultural) contestations which eventually gave rise to the two tiers of 'new' (Hindu Bahun-Chhetris, among others) and 'old' (Buddhist Newars, among others) business elites in Nepal. To name the few political milestones, the first point of

reference is the Muluki Ain – Nepal’s magna carta of 1854, which legally authenticated the caste/ethnicity-based norms that had long guided the local and central governance of the time. The second and third points of comparison are the two popular political uprisings; which, first, legitimized a Hindu king within a democratic paradigm; and the second, which led the country towards secularism and ethnicity-based republicanism. Inextricably interwoven within these political milestones are the various alliances formed by the old institutions of caste and ethnicity with the new institutions of the State regulation, business associations, labour unions, and markets. As the new institutions and hierarchies emerge, the old ones part adapt and part extinct. This very process of adaptation and resistance, in turn, has given rise to a new ‘virtual’ order which we see is closer to the original order than its reverse.

Impact of Reserving Jobs for Minorities on Labor Market Outcomes: Evidence from India

Nishith Prakash

Affirmative action policies in employment are proposed and used in both developed and developing countries with the goal of promoting economic progress for members of historically disadvantaged minority groups. Whether they actually help the targeted groups overall, and whether some subgroups benefit more than others, are open questions. This paper estimates the effect of reserving jobs for historically disadvantaged groups on their labor market outcomes. In general, this is difficult to do because whether or how many jobs are set aside for minorities is likely to be endogenous. For example, institutions or places that reserve more jobs for minorities are likely more favorable to minorities in other ways too, which confounds the interpretation of the estimated coefficient for jobs reserved from a regression of some labor market outcome on jobs reserved. However, in India, the mandated employment quota is implemented in a way that facilitates the identification of the causal effect of reserving jobs. In particular, the Indian Constitution stipulates that in each state the share of public sector jobs reserved for scheduled castes and scheduled tribes –the two principal historically disadvantaged groups in India– be equal to their share of the total population in the most recently tabulated census of population. This policy rule generates plausibly exogenous variation in share of jobs reserved, permitting the identification of the causal effect of job reservation on labor market outcomes. The variation I use is not based on all fluctuations in minority population share; this would be erroneous because we would expect minority population share to affect labor market outcomes not only through share of jobs reserved. Instead, the identification strategy takes advantage of the fact that the share of jobs set aside for minorities can only change with a lag with respect to both the current population share and the population share in the most recent census. There are two sources of the lag: (1) the current population varies continuously but job reservations are based on the census, which is taken only decennially; and (2) there is an administrative lag between when the census is taken and when the job reservations are adjusted to reflect the new census data. These jumps and administrative lags generated by the policy rule allow me to separately identify the effect of job reservation for minorities from the effect of contemporaneous changes in their population.

I implement the identification strategy using individual-level data from multiple rounds of the

National Sample Survey (NSS). First, I examine the effect of reserving jobs on the employment status of the people in targeted groups. Public sector employment is on average better than alternative employment opportunities for minorities—it provides a higher salary and better job security—thus it is possible that job reservations change incentives to work or the composition of employment conditional on working (e.g., away from self-employment or casual work, toward a salaried job). Second, I examine the effect of reserving jobs on the wages and expenditures of the people in targeted groups. Third, I examine whether effects vary by sex, sector (rural/urban) and educational attainment. My primary finding is that reserving jobs does not significantly change the probability of working or working in paid employment for either scheduled castes or scheduled tribes, but does raise the probability that a scheduled caste member works in a salaried job. The effects are similar for both men and women, and benefits are more pronounced in urban areas and for the less educated. Another finding is that reserving jobs does not increase wages or per capita household expenditure on average, but less educated scheduled caste members do experience significant increases in their expenditure, probably due to their greater propensity to have a salaried job. Overall then, job reservations for scheduled tribes do not significantly improve scheduled tribe members' labor market outcomes (at least those outcomes available in the NSS data) while job reservations for scheduled castes do enable some scheduled caste members to get better jobs.

An evaluation of the job reservation policy in India should be of interest for a number of reasons. First, I am not aware of previous studies that rigorously quantify the effects of this policy. Yet this is the largest mandated employment quota policy in the world, and has existed for over a half century. Second, this paper adds to the existing literature on the effects of affirmative action. Affirmative action policies are the subject of heated debates in many countries, and it is important to understand whether they benefit the intended beneficiaries in the first place before adopting or continuing them. Some affirmative action policies may have different effects than others, and this case of setting aside jobs for minorities in India should be an interesting counterpoint for policies based on preferential treatment without mandates.

Identifying the Credit Rationed Households: Some Observations from Assam

Rajlakshmi Mallik

This paper develops alternative criteria for identifying the credit-rationed households, which is a common feature of the formal credit markets in the developing countries. It measures the extent of credit rationing according to these alternative criteria and investigates the socio-economic characteristics of households that make these households susceptible to credit rationing on the basis of data on rural households from a few selected villages of Assam. Our findings suggest that the way a credit-rationed household is defined is crucial for making policy prescriptions for reducing the incidence of credit rationing.

Three types of household are identified. Type A households are those for which loan applications by one or more of its members got rejected by the formal lender (FL) or bank. Casual observation however suggests that not all who require credit apply for formal or bank loans. Ignorance about commercial banks, non-existence of local branches, perception about the mode of operation FLs along with their preferred clientele and fear of bribing all of these often make the households reluctant to borrow from the banks. These discouraged potential borrowers as referred to as households of type B. The paper considers a third category of households. Type C households refer to households which claim that they did not require a loan and hence did not apply for (a formal) one, although data reveals that they have taken an informal loan. Thus for these households the professed non-requirement of credit is invalidated or is inconsistent with their taking an informal loan.

Depending upon the nature and number of groups included as credit rationed households the paper develops three alternative definitions of credit rationing. The most direct approach is to consider a household to be credit rationed if and only if it is type A. Here credit rationing is defined solely from the point of view of the lender and on the basis of the actual rejection of loan applications by banks. This will however constitute a narrow definition of credit rationing.

The narrow definition of credit rationing thus ignores the huge number of non-applicants who actually required credit. If we regard the potential borrower as one who requires credit then potential borrowers must consist not only of loan applicants but also the discouraged borrowers who claim to

have required credit but did not apply for a formal loan. Thus, one may broaden the criteria and consider a household to be credit rationed if and only if it is either type A or type B. In this case credit rationing is defined from the point of view of both the lender and the borrower.

Finally if we regard type C households to have actually required credit, then we have the broadest definition of a credit-rationed household by using this more general criterion for identifying households who are potential borrowers. Under the new definition both type B and type C constitute the discouraged borrowers. Only those households which claim to have “not required” a loan and have also “not applied” for a formal loan, nor taken an informal one, are the households, which truly did not require credit and hence are not part of the population under study. A credit-rationed household in this case will be either of types A, or B or C.

Thus we have three alternative definitions of credit rationing depending on how we define the potential borrower. Definition 1: A household is credit rationed if and only if it is type A. Definition 2: A household is credit rationed if it is either type A or B; otherwise not. Definition 3: A household is credit rationed if it is either type A or B or C; otherwise not.

Overall we find that landownership and savings facility are factors that affect both the lending and borrowing decisions. Of these two, savings plays a more significant role in influencing borrowing decision; while landownership is more significant as a factor influencing lender’s decision regarding sanctioning of loans. Inverse dependency ratio is a purely supply side factor and has no effect on borrowing decision. On the other hand household characteristics such as household’s occupational type, highest education in the family, social group or sex ratio all play a significant role in household’s decision to apply for a formal loan. These do not figure as important in lender’s decision-making process. Finally household size is not important either as a demand or supply side factor, exclusively. Its effect shows up if we consider both the factors simultaneously.

In general a larger number of household characteristics are significant as explanatory factors for why households refrain from borrowing in the formal credit market compared to why FLs reject loan applications. Household characteristics affect lending decisions only in so far as they reflect the household’s capacity to repay the loan. The effects of other economic and non-economic factors that may be evident in credit rationing arise out of the demand side.

Our findings suggest that both the incidence and the household characteristics that make the households more susceptible to credit rationing, vary significantly with the way a credit-rationed household is defined. Overall household characteristics are more significant in explaining the demand side of credit rationing rather than the supply side. While this observation finds support in other studies as well but this study contributes by extending the definition of credit rationed households and identifying some additional factors that are responsible for the same. Particularly the role of savings as a habit rather than as collateral is interesting. This observation is crucial for making policy prescriptions and also for identifying the target groups in the bid to reduce the incidence of credit rationing.

Work, Work Organization and Freedom: Findings from an Exploratory Study of Call Centre Employees

Rukmini Tankha

The vertical disintegration of work processes is a recent development in the organization of international businesses, particularly of transnational corporations. This involves relocating non-core activities in production or service creation away from the home country to a destination where the work can be done at the lowest cost. Low-wage countries then become the receivers of a large portion of delegated tasks, which require no particular expertise of the home enterprise and can easily be entrusted to less skilled workers.

This is the underlying rationale for most outsourcing activities. Call centre units are similarly engaged in carrying out non-critical tasks for their clients, with the parent organization remaining largely unaccountable to the labour it employs. Employees in call centres are subjected to intensive work schedules and continuous supervision at the workplace. Their limited skill enhancement and engagement in only 'implementation' activities is a cause for concern. Call centres in turn exhibit a trend of high attrition, indicating temporary employment arrangements. Further, attempts at unionization among employees to address grievances at work have failed to gather much momentum.

Given this scenario, the paper seeks to analyze the nature and conditions of work in call centres, explore the causes of high attrition of employees and examine the need for unionization in the sector. The paper draws upon an exploratory study based on interviews conducted with 41 call centre employees in New Delhi and Gurgaon in India, during April – June 2007. As formal permission to conduct employee interviews at the workplace was denied by the management at numerous call centres, discussion with employees was held outside the workplace. Participants were identified through snowball sampling owing to the nature of hidden population of call centre employees.

Findings revealed that most call centre employees were young graduates, who were attracted to such employment primarily due to the high salaries offered. Call handling work was highly intensive and performance oriented, and was undertaken in shifts. Strict work targets were set for employees to achieve, with breaks in between work often being refused in case of high incoming call traffic. Employees even stood the chance of being dismissed in case of excessive absenteeism. Further, such

call centre jobs required minimum skill, with most employees affirming that the nature of their work was not complex. The only training imparted to employees was either specific to the process being handled, or else generic, involving teaching of soft skills. Scope for skill enhancement was thus seen to be limited.

Employee freedoms were also restricted by controls at the workplace. These included mechanisms ensuring distribution of calls among employees with minimum time gaps and use of scripts when on calls, dictating the pace and content of work. Employees regulated their emotions as per the demands of the job, forcibly remaining courteous on interaction with irate customers. Further, supervisors monitored the calls handled by employees, keeping regular checks on parameters such as average call handling time, quantity of calls handled and quality of speech delivery. These parameters were used as yardsticks for sanctioning performance based incentives or disincentives to employees. Such a surveillance based, disciplinary work ethic was however found to be unopposed by employees, who justified its use in providing feedback about their performance.

Leading causes for stress in such jobs were few breaks granted between work, high work targets to be achieved, frequent checking of calls and the repetitive nature of work. Attrition was observed to be attributed partly to the nature of work itself, but also to the demand supply gap for employees in the sector, resulting in their horizontal mobility across firms for marginal increments in pay. Additionally, most employees denied the need for unionization as they were unwilling to resort to activism, owing to their newfound 'white collar' status. The existence of a Human Resources department in call centres taking up employee issues was further seen to preclude union presence, even though the department was fairly ineffectual in addressing employee grievances.

The study revealed that while employees were stressed by the nature and conditions of work, they remained attracted by monetary and other incentives of the job. The desire to earn 'easy' money was found to overshadow the limited prospects of the job for most employees, who had become accustomed to the anomalies of the work, and had largely internalized the features of work organization. The highly regulated nature of such call centre employment was seen to hamper worker autonomy, denying employees control over the work process. Simultaneously, increased incomes afforded by such employment launched the employees into a new socio-economic bracket, facilitating their upward social mobility and increasing their aspirations. The study exposed the need for further analysis on the restrictive and expanding freedoms of call centre employees, inside and outside the workplace, in assessing the nature of such work.

Wage Discrimination as a Result of Gender Bias: A Case Study of Delhi

Shirin Akhter

Discrimination is said to prevail when two people with the same set of characteristics are differently treated and these differences are systematically correlated. Wage discrimination is a phenomenon where people with the same economic endowments are paid different wages, systematically correlated with some non economic characteristic. Wage bias as a result of gender bias can thus be understood as a phenomenon where men and women possessing the same set of economic characteristics are paid different wages on account of difference in gender.

Discrimination against women in terms of earnings is considered to be widely prevalent across globe. However in the poorest countries, women are particularly inadequately served in terms of education, health and legal rights. Conditions in the Indian labor market when examined in the context of gender discrimination reveal that wage differences between male and female workers is a casually observable phenomenon. Differences in skill, qualification, experience and nature of job do not fully account for wage differences. On an average, a female regular employee earns 92% of her male counterpart's salary in rural areas and 89% in urban areas. In contrast, a female casual labor earns only 65% of the wage earned by male casual labor in rural areas and 60% in urban areas.

Several pieces of evidence suggest that under investment in girls is not an efficient choice. Societies pay a price for gender discrimination in terms of slower growth. However those controlling resources in certain societies have a preference for gender inequality that they are willing to pay for. This might lead to the conclusion that discrimination is practiced even at the cost of profits but certain theorists provide an alternative explanation in the form of discriminating monopsony which is consistent with profit maximization. Here the profit maximizer will necessarily pay lower wages to the female labor if elasticity of their supply is lower than that of male workers even though their marginal productivities are equal.

This paper seeks to study the extent and nature of gender discrimination in the job market of Delhi. The study is based on primary data collected from 600 respondents across various occupations in both formal and informal sectors, and is supplemented by secondary data as provided by the ministry of statistics and program implementation, GOI. Mincerian wage functions and OLS have been used to

find out the extent of gender bias in wage discrimination.

Analysis of the results show that gender bias is more prevalent in the informal sector with women being paid less than their male counterparts, and while formal sector shows almost no wage discrimination, job discrimination is the order of the day there. This paper further discusses how this discrimination is detrimental to the growth and development of the economy and suggests ways to rid the problem.

Caste, Religion and Poverty in India: An Analysis of 61st round NSS Data

Smita Das

Discrimination and exclusion based on caste, ethnicity, and religion is at the core of India's social-cultural structure. The pattern of existing social relations and high deprivation level of some population groups relative to that of others has drawn considerable attention in the recent years. However, in the absence of adequate data on certain population sub-groups plus the non-accessibility of existing data by several researchers, such caste based studies on poverty has revolved around specific population groups such as the Scheduled Tribes (STs) and the Scheduled Castes (SCs). The Other Backward Classes or OBCs and the forward groups were considered under a single category until recently. Similar studies on religious grounds are relatively less and recent. A further limitation is that not many of these studies have addressed the issue of disparity on grounds of caste and of religion simultaneously. Given India's socio-cultural structure, it is very likely that the extent of deprivation of any individual is a result of both his 'caste status' and 'religious denomination'. It therefore follows that the differences within the same community resulting from individuals religious and caste affiliation received scant attention in these studies.

The present paper thus probes the susceptibility and poverty of ten mutually exclusive socio-religious groups drawing attention to such within group disparities. The socio-religious groups under study are ST Christian, ST Non-Christian, SC, OBC Hindu, OBC Muslim, Hindu General, Muslim General, Christian General, Sikh General and All Others. The estimation in this paper has been carried out using the most recent consumer expenditure as well as employment-unemployment survey of National Sample Survey Organisation (NSSO) for the year 2004-2005, also known as the 61st round of survey. Apart from the poverty levels and poverty risk the paper also looks into the differences in household and employment characteristics of these socio-religious groups.

The findings suggest that deprivation levels are influenced by a person's religious affiliation and caste status in conjunction with one another. While the ST Non-Christians are the poorest of the ten socio-religious groups considered, ST Christians have one of the lowest poverty ratios in 2004-05. Similarly, the Muslim status coupled with an OBC status is seen to increase the vulnerability of

individuals to poverty.

The ST Non-Christians, SCs, OBC Muslims and Muslim General are the most deprived groups in order of intensity and severity of poverty. These four groups have a much higher share in total poverty relative to their share in total population and are also most susceptible to poverty as evidenced by the fact that their poverty risk is substantially above norm. By contrast, ST Christians in both sectors and OBC Hindus other than those in the urban sector have below norm poverty risk, once again emphasising the disparities existing within the community on account of caste and religious affiliation.

These vulnerable groups lag behind the rest of the groups on socio-economic grounds as well. An average ST (Christian as well as non-Christian) or SC household tend to have much younger heads than an average Hindu or Christian household. The size of ST and SC households, although comparable with Hindu general households, is much larger than the Christian General households. The Muslims (OBC as well as General Category), on the other hand, have large households headed by young members, indicating the presence of more dependents in these households. Hindu General and Sikh General have the maximum area of cultivated as well as owned land. Although ST Christian own sizeable area of land, the average cultivated land is lower than their Non- Christian ST counterparts.

The educational attainment of the members of Hindu General and Christian General groups (education of the household head taken as the proxy) is higher than any other group. Among the backward groups, ST Christians are way ahead of others with regard to their educational attainments and are almost at par with the forward groups in the urban sector. Labour force participation rate (LFPR) is very high and unemployment rates low among the STs (Christians as well as non-Christians) with a very large section engaged in labour based activities. Unemployment rate is highest among the better qualified Christian General group together with very high LFPR. Muslims, on the other hand, have low LFPR and self-employment as the prime activity.

On the whole ST non-Christians, SCs, Muslim OBCs, Muslim General and OBC Hindus in that order are the most deprived on all counts. The fact that ST Christians have fared reasonably well as compared to their non-Christian counterparts in spite of their backward status shows that even within the same community susceptibility to poverty and deprivation varies consequent upon a person's religious persuasion and/or caste denomination. The disparities between OBC Hindu and OBC Muslim, also between OBC Muslim and non-OBC Muslim further strengthen this contention. There is no denying the fact that caste and religious denomination is not the sole determinant of economic conditions of individuals. Demographic and economic characteristics associated with each of these population groups also play an important role. Nevertheless, this study emphasise the need to consider religious denomination and caste status of population groups simultaneously in assessing poverty in relation to exclusion in India.

A Model of Mission Drift in Microfinance Institutions

Suman Ghosh and Eric VanTassel

Amidst the overwhelming success of the microfinance revolution, there is an increasing concern amongst commentators and practitioners about a possible trend of commercialization among microfinance institutions (henceforth MFIs) leading to an over-preoccupation with profitability at the expense of poverty reduction and other development goals. The view here is that the best hope to reach the greatest number of poor and near-poor households is to get access to commercial capital in amounts that are only possible if institutions transform themselves into fully chartered banks. Critiques on the other hand argue that this process leaves the poorest borrowers out of the client base and hence signifies a move away from the initial mission with which the MFIs started in the first place. This phenomenon has also been termed as “mission-drift”. We contribute to the literature on microfinance by building a model in order to study the phenomenon of “mission drift. Our model uncovers the possible trade-offs and interactions associated with the poverty reducing mission of the MFI and the mission of catering to the poorest clients. More precisely, we study whether and how it might be the case that the MFIs are able to have a larger impact on poverty at the expense of the poorer borrowers.

Empirical evidence regarding microfinance and poverty has posited that the microfinance revolution has indeed brought towards poverty reduction. Using panel data from Bangladesh researchers have found that microfinance accounts for 40 percent of the overall reductions in poverty in rural Bangladesh. In general they conclude that the average incomes for program participants have significantly increased. There have been other studies based on microfinance projects in Latin America and other parts of Asia which finds the same trend. Thus in general the positive effect on poverty reduction due to MFIs has found widespread empirical support. On the other hand a recent study of MFIs across 49 countries shows, there has been a drift away from the poorest borrowers. In our paper we try to analyze the circumstances under which this situation might arise. If one considers mission-drift as a drift away from the poorest borrowers, then we show that indeed mission-drift has taken place, but at the same time the effect on poverty reduction has also taken place, as the empirical findings summarized above show.

With that aim, a natural first step to analyzing the impact of MFI lending would be to adopt a different sort of metric, such a weighted poverty gap to scrutinize the impact the MFI's lending policies on poverty. As a benchmark case we first consider a non-weighted poverty index for the MFI and homogenous wealth of agents. Agents differ in their success rates of their entrepreneurial projects which is not observable to the MFI. In such a context we show that maximizing outreach is not always the best strategy for the MFI. This result starkly demonstrates that the objective of client maximization as some of the papers in the literature assume as the objective function of the MFI is not always the best strategy from a poverty alleviation perspective. Next we consider agents with heterogenous wealth to uncover the trade-offs involved in allocating a given amount of subsidy to potential borrowers. We include two other elements in our model which enriches the previous structure. Now the MFI uses a weighted poverty gap such that it induces a higher weightage to the relatively poorer agents. In consonance with the empirical literature we now vary the amount of loan required such that the better off agents have bigger projects which needs larger loan size. Also there is a transaction cost associated with each loan. In this scenario two other trade-offs are introduced whereby, the weighted poverty index now inclines the allocation of the loans to the poorer agents while the lower transaction costs associated with the larger loans of the better off agents inclines it to the better off agents. This is the basic tension in our model. We find that before the advent of the large donors, the MFIs distributed their loans based on the weightage it assigned to the poverty index. The amount of loans that it each MFI received was based on the quality of their borrower pool. We compare this case with the scenario after the large donors enter the market. The advantage of such large donors is that their deep pockets free the MFI's from operating under restricted government subsidies which was the case before. On the other hand the large donors have no information as such about the pool of borrowers. This prompts them to rely on the rate of return in order to extrapolate the quality of borrowers in each MFI's pool. We show that this in turn leads to the phenomenon of mission drift whereby the MFI caters to the better off borrowers at the expense of the starkly poor in order to improve on their rate of return. Thus for same poverty weightage on the poverty index, we show that the MFIs now shift to give larger loans while they were giving smaller loans to poorer agents before. They do this in equilibrium since the poverty reduction brought about by the larger pool of 'better-off poor' compensates the decrease in the poverty gap which it brought about by catering to the 'starkly-poor' borrowers before the advent of the large commercial donors.

Does Female Autonomy Lead To Better Nutritional Attainment? Evidence From India

Sunny Jose

The paper attempts to ascertain the empirical validity of a proposition, which intersects the policy discourses on human development and gender and development in South Asia. Due to a complex web of factors, malnutrition among women remains quite high in India and most of the South Asian countries as well. Nearly 36 per cent of women (15-49 years) in India, for instance, suffer from Chronic Energy Deficiency (CED) indicated by a BMI below 18.5, whereas 55 per cent of them suffer from iron-deficiency anaemia in 2005-06. Approaching from the perspectives of both human development and gender justice, studies emphasise the importance of empowerment of women—that is, the enhancement in the agency of women—for their well-being including better nutritional attainment (Osmani and Bhargava 1998; Sen 1999; Osmani and Sen 2003; Grown, Gupta and Pande 2005; Gill, Pande and Malhotra 2007).

The study seeks to examine this proposition: Whether the decision-making power or autonomy, an aspect of the effective agency and empowerment, of women necessarily leads to their better nutritional attainment? Specifically, we examine that does an improvement in the participation in and control over decision-making of women in the household lead to an improvement in their nutritional attainment? Analysing the recent National Family Health Survey-3 (2005-06) data, the study seeks to examine this question empirically in India.

Autonomy is considered, for the present analysis, as the ability to make and influence decisions on day-to-day and crucial matters within the family. Based on such consideration, autonomy is measured as the extent of women's participation in and primary say on the following four decisions: i) Daily household needs, ii) Major household purchases, iii) Their own health and iv) Visits to their family or relatives. These four decisions relate to four related but separate realms concerning women's lives and well-being. While participation includes control or say, the latter excludes the former. The analysis, for reasons of autonomy, is confined to 93,089 currently married women (15-49 years) only.

The analysis suggests that an improvement in the participation in decision-making goes well along with a decline in the incidence of CED among currently married women. For instance, while 38 per cent of women who do not participate in any of the above four decisions suffer from CED, the incidence goes down to 36, 32 and 30 per cent among women who participate in at least one decision, more than one decision (but not all decisions) and all four decisions, respectively. Contrary to the above, an improvement in the decision-making does not seem to go with a similar decline in the incidence of iron-deficiency anaemia. These patterns hold good in both rural and urban India.

Is the participation of women, which would imply the collective decision-making, insufficient as far as their nutrition, especially anaemia, is concerned? Participation in decision-making indicates that women were being consulted on making the decisions. It does not, however, tell us that their opinions were accorded due importance or not. This is because in a patriarchal setting, the opinions of male members would carry higher weights than that of women even on decisions concerning women's well-being. Hence, whether an improvement in the control over decisions goes along with a decline in the incidence of malnutrition, especially anaemia, among women is of some interest.

As seen above, the incidence of CED also declines with an improvement in the control over decisions. However, the decline is both marginal in extent and uneven in direction. This is true for both rural and urban regions. This is contrary to what we find on participation: increase in participation tends to go with a steady and significant decline in CED. Oddly, an improvement in the control over decisions does not necessarily lead to a decline in the incidence of anaemia. Instead, currently married women who have a say on all the four decisions seem to have a marginally higher incidence of anaemia than those who do not have a say in any of the four decisions at all! This is true irrespective of the regional variation.

Multivariate analysis reinforces the above findings emerging from the bivariate analysis. To summarise, while participation in decision-making appears to have a significant positive influence on CED, this is not necessarily true for anaemia. The influence of currently married women's control over decision-making, contrary to our expectation, appears to be relatively small and varying. Thus, women's autonomy is likely to bring improvement on their nutrition, but the extent of such improvement might vary. By contrast, the improvement associated with the increase in households' wealth status seems to be relatively large and stable. These competing patterns neither lend complete support to the proposition under examination, nor invalidate it fully either.

Does an absence of a definite and significantly strong association between women's autonomy and nutrition imply that autonomy is unrelated to, and hence unimportant for, improving women's nutrition in India? Far from it. Female autonomy is an end in itself, besides being a valid means to other valuable ends. Lower influence of autonomy on nutrition does not belittle its importance. Instead, what our analysis indicates is that women's autonomy should not be viewed as a substitute for—and independent from—other known, potential determinants of women's nutrition. Therefore, attempts to improve women's nutrition should be approached from multiple, often interdependent, ways. These multiplicity of means increase the scope and reach of public policy in improving women's nutrition, and thereby ending the unfreedom associated with their malnutrition.

Representation, Democratic Exclusion and the Crisis in the Development Discourse

Swagato Sarkar

The Aditya Birla group of companies is trying to establish the Utkal Alumina or UAIL mining project in Kashipur in Orissa. The mining project will require a large tract of land, and a group of people, who are residing on and cultivating that land, is unwilling to give it up. This group of people have started a resistance movement against the project. The political parties, all of whom vehemently support the project, have not accommodated the demands of this group. The NGOs, which were initially involved in the resistance movement started by the affected people, were marginalised by the latter; these NGOs also backed out themselves to avoid the wrath of the state. The only support that the movement now receives is from certain (human rights) activists.

This is an extraordinary situation, and seems to defy the logic of competitive electoral democracy, which expects the articulation and representation of all the “issues” and constituencies, respectively. This situation can be treated in two ways: (i) a case of ‘crisis of representation’, an event when a group of people does not find a space within the incumbent representational politics and thereby a new political subject is born, or (ii) in a retroactive manner, to understand the case of democratic exclusion or exclusion under democracy, the process through which certain “issues” and constituencies are excluded from the electoral political system, which is otherwise a legitimate and (relatively) stable one, i.e. relatively normal representational political system.

In this paper, I will dwell upon each of these approaches. First, I will engage with the concept of representation and try to understand what is at stake in the case of ‘crisis of representation.’ Then, I will demonstrate the process of democratic exclusion. Following these, I will argue that the discourse of development which legitimises exclusion under democracy is under crisis in the present context of capitalist expansion, and its democratic resolution calls for a different political articulation and mobilisation.

Gestational Surrogacy Contracts: Altruistic or Commercial?

Swapnendu Banerjee

—Your children are not your children.

They are the sons and daughters of Life's longing for itself.

They come through you, but not from you,

And though they are with you, yet they belong not to you—

– The Prophet (Kahlil Gibran).

Thousands of babies are born every day in Calcutta, a large city in eastern India. Arjun Banerjee could have been just one of them. Only that he was born to a surrogate mother and the first single father in India, Amit Banerjee. A divorced man, aspiring to be a father, meets two women - an egg donor and a surrogate mother – through an infertility clinic. And Arjun is born on the 2nd of October 2005 – out of wedlock, without a rearing mother, in a conservative society.

Jennifer Rutansky, from Jacksonville, Florida, had always wanted to be a mother. So, when she was diagnosed with Hodgkin's Lymphoma (a form of cancer) in 1997, she chose to preserve thirteen of her eggs before undergoing chemotherapy. Having beaten cancer and married happily, but being too weak to conceive, she found a woman (through an infertility clinic) to carry the embryos created from her thawed eggs and her husband's sperm. The first two attempts failed, but the third paid off. And Jacob Evan Rutansky was born to a surrogate mother on the 3rd of October 2005.

Call centres and medical transcription are passé, as surrogate mothers from India get ready to be outsourced. Reproductive tourism is booming in India today – people are pouring from places like Scandinavia, Singapore, Canada and England. Why spend 2.6-3.5 million rupees in California when it can be done at less than 1 million rupees in India? Why spend £ 1000 on an advertisement for a surrogate mother in a British daily, when it costs only £ 100 - £ 300 here?

So, what exactly is surrogate motherhood? Is it a godsend for childless couples or a threat to the

very fabric of society? Does it allow fertile women to fulfill a social responsibility or does it exploit them and turn them into commodities? Will a baby be happy with a rearing mother or does it need the birth mother? Should the surrogate give up the child or ask for its custody? Should the payment to a surrogate be banned, so that the service remains altruistic? Or, could the fee be so high that women are attracted to surrogacy for financial benefit?

But what are the different forms of surrogacy? From the physiological point of view there are two kinds of surrogacy: (i) straight (natural/ traditional) and (ii) gestational (or host). In a straight surrogacy, the sperm of the intended father is used to inseminate the surrogate. Therefore, the surrogate becomes both the genetic and gestational mother. While the intended father is also the genetic father, the intended mother is only a rearing mother. In gestational surrogacy, the egg and sperm of intended parents are fertilized externally and the embryo transferred to the uterus of the surrogate. This process is known as In-vitro Fertilization-Embryo Transfer (henceforth IVF-ET). Here, the surrogate is only a gestational carrier and the intended parents are the genetic parents as well.

From a legal perspective surrogate motherhood can be subdivided into two broad identifiable categories – ‘altruistic’ where no money is paid to the surrogates for her ‘services’ (mainly in excess of necessary medical expenses) and ‘commercial’ where money is paid to the surrogates for her services (in excess of medical expenses).

Policymakers in most countries have banned all payments to surrogates. Their objective is to prevent exploitation of needy women, who might not fully realize the risks involved. Since a surrogates’ consent might not be well informed, it might put the unborn child at risk as well. The main objection stems from the realization that surrogacy contracts leads to commodification of the child and the surrogate which has market prices. To be precise, most policymakers want a surrogate to be motivated by altruism – a service out of love and a sense of social responsibility - rather than a profit motive.

There are a large number of issues that can be addressed - ethical, legal and economic and it is almost impossible to do address everything in one paper. Issues like whether or not such markets should be prohibited outright or regulated, why in practice we see very restrictive policies adopted in most countries, what the ‘sacredness’ of human life means in an economic context, whether this market comes close to be an ‘obnoxious market” (see Kanbur (2004)) etc., can be discussed at large. But in this paper we abstract from such issues.

We in this paper provide an analytical structure to endogenize the optimal gestational surrogacy contract in terms of a simple Principal-Agent framework. We show that altruistic surrogacy is optimal only if the surrogate has lower outside option and is sufficiently altruistic. Otherwise commercial surrogacy is optimal. We also show that for lower outside option greater social ignominy makes the surrogacy contract relatively more altruistic but the reverse happens when the surrogate has higher outside option. We also explore alternative model specifications and find a case where commercial surrogacy is always optimal irrespective of altruism,

outside option and social ignominy. Thus our paper makes an attempt to provide an analytical framework to endogenize the optimal form of surrogacy contract, i.e. commercial vis-à-vis altruistic, which hitherto has been debated widely but not analysed mathematically. In this respect to our knowledge our paper is a first step in that direction. Also in line with Besley and Ghatak (2005) our paper incorporates the non-pecuniary aspects of motivation already addressed by Benabou and Tirole (2003), Dixit (2001), Murdock (2002), Seabright (2003) among others.

Resource Person



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Aruna Roy is a social and political activist. She resigned from the Indian Administrative Service to devote her time to social work and social reform. She joined the Social Work and Research Center in Tilonia, Rajasthan, which had been set up by her husband Sanjit 'Bunker' Roy where she worked until 1983. She then moved to Devdungri, Rajsamand District, Rajasthan and along helped to form the Mazdoor Kisan Shakti Sangathan. She is one of the founders Right to Information movement in India, that resulted in laws passed in several States, including the national legislation on the Right to Information. Her contribution to the cause has been widely appreciated. She was awarded the Ramon Magsaysay Award for Community Leadership. She has set up a trust with the award

money to support the process of democratic struggles. As member of the National Advisory Council, she played a key role in incorporating citizens entitlements in the recently enacted RTI and National Rural Employment Guarantee Act. She is currently a member of the National Employment Guarantee Council.

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Barbara Harriss-White is director of Oxford University's Contemporary South Asian Studies Programme and founder of Oxford's new MSc in Contemporary India in the School of Interdisciplinary Area Studies. Previously she directed Queen Elizabeth House, Oxford's Department of International Development. She drove from the UK to India in 1969 and has studied been engrossed in India ever since. In the 1980s she contributed to Prof Sen's project on the 'Political Economy of Hunger' and in 1990 did fieldwork on foodgrain markets in West Bengal as part of a project directed by Prof Sen and Prof Sunil Sengupta, which later resulted in 'Rural Commercial Capital', a book in 2008. She has published books on agrarian change, India's informal economy ('India Working', 2003), trade liberalisation and a range of aspects of poverty and deprivation - all grounded in fieldwork. She has advised 7 UN agencies as well as NGOs. In future she wishes to work on the food-energy interface.

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Jaswant Singh is Member of Parliament, and Leader of the Opposition, in the Council of States, Parliament of India. He was commissioned at the age of 19 in the Central India Horse, a famous regiment of the Indian Army

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Jean Drèze, born in Belgium in 1959, has lived in India since 1979 and became an Indian citizen in 2002. He studied Mathematical Economics at the University of Essex and did his PhD (Economics) at the Indian Statistical Institute, New Delhi. He has taught at the London School of Economics and the Delhi School of Economics, and is currently Visiting Professor at the University of Allahabad. He has made wide-ranging contributions to development economics and public economics, with special reference to India. He has co-authored and co-edited six books with Amartya Sen, including *Hunger and Public Action* and *India: Development and Participation*. Jean Drèze is also an active member of the Right to Food Campaign, the National Campaign for the People's Right to Information, and the world-wide movement for peace and disarmament.

Joseph E. Stiglitz graduated from Amherst College, and received his PHD from MIT. He was professor at Yale and was awarded the John Bates Clark Award, given biennially by the American Economic Association to the economist under 40 making the most significant contribution to the field. He has taught at Princeton, Stanford, MIT and was the Drummond Professor and a fellow of All Souls College, Oxford. He is now University Professor at Columbia University in New York and Chair of Columbia University's Committee on Global Thought. He is also the co-founder and Executive Director of the Initiative for Policy Dialogue at Columbia. In 2001, he was awarded the Nobel Prize in economics for his analyses of markets with asymmetric information, and he was a lead author of the 1995 Report of the Intergovernmental Panel on Climate Change, which shared the 2007 Nobel Peace Prize. Stiglitz was a member of the Council of Economic Advisers during the Clinton administration, and served as CEA chairman, and also was Chief Economist and Senior Vice-President of the World Bank. He was appointed by French President Nicolas Sarkozy to chair a Commission on the Measurement of Economic Performance and Economic Progress. His most recent book, *The Three Trillion Dollar War: The True Cost of the*

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Kanak Mani Dixit is a journalist and civil rights activist based in Kathmandu. He is editor of the Himal Southasian regional monthly review magazine, as well as of the Nepali language fortnightly newsmagazine, Himal Khabarpatrika. He has been a journalist since 1971, and worked in the United Nations Secretariat between 1982 and 1990. Lately, he has been engaged in civil right activism for peace and democracy in Nepal. Himal was begun as a Himalayan magazine two decades ago, and in 1996 was transformed into a Southasian periodical. Since then, Dixit has been involved in the quest to define the Southasian space and identity from a practical and non-romantic standpoint.

Dixit serves as chair of the Film South Asia festival of documentaries, the Spinal Injury Sangha-Nepal, and the Shikshyak magazine for Nepal's school teachers. He is also involved in activities related to libraries and archiving, social science education, public transport and cultural revival.

Kanchan Chopra is Director of the Institute of Economic Growth, Delhi. She holds a Ph. D. from the University of Delhi, and has published extensively on environment and development issues, especially water and forest

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Kapil Sibal is currently serving as Minister for Science and Technology and Earth Sciences, Government of India. In the past he has served as Additional Solicitor General of India and was also Chairman of the Working Group on Arbitrary Detentions set up by the Human Rights Commission. He has previously been elected as President of the Supreme Court Bar Association. He enjoys the distinction of having represented minorities and minority educational institutions for more than twenty years in the field of constitutional law. He has contributed articles on important issues such as security, nuclear proliferation, terrorism, etc. in national dailies and periodicals. In 2004-05, he was awarded the Jawaharlal Nehru Birth Centenary Award by the Indian Science Congress Association. Recently, he represented India in the Annual Meeting of the World Economic Forum in 2005 at Davos, Switzerland and led the Indian delegation to the United Nations Framework convention on Climate Change (UNFCCC) in 2007.

Kaushik Basu is Professor of Economics, C. Marks Professor of International Studies, and Chairman of the Department of Economics, Cornell University. He is also Director of the Center for Analytic Economics, and Director, Program on Comparative Economic Development. In 1992 he founded the Centre for Development Economics in Delhi and was its first Executive Director. He is also a founding member of the Madras School of Economics. He has been Visiting Professor at Harvard University, Princeton University and M.I.T, besides previously serving as Professor of Economics at the Delhi School of Economics. Basu is on the editorial boards of a number of journals having published widely in the areas of Development Economics, Industrial Organization, Game Theory and Welfare Economics. He has also contributed popular articles to magazines and newspapers.

In May 2008 he was awarded the Padma Bhushan by the President of India.

Prime Minister Manmohan Singh, an acclaimed thinker and scholar, is renowned for his invaluable contribution to academics. After completing his graduation from Punjab University, he proceeded to earn a First Class Honours degree in Economics at the University of Cambridge, UK, followed by a D. Phil in Economics from Nuffield College at Oxford University. Dr. Singh has since served as faculty at the Punjab University and as Honorary Professor at the Delhi School of Economics, University of Delhi. He is a recipient of honorary degrees from many universities, including the Universities of Cambridge and Oxford. Having authored the book "India's Export Trends and Prospects for Self-Sustained Growth", Dr. Singh enjoys the additional distinction of having published a large number of articles in economic journals. Dr. Singh has occupied prominent positions including Deputy Chairman of the Planning Commission, Governor of the Reserve Bank of India and Chairman of the University Grants Commission. In 1987, he was conferred with the Padma Vibhushan, India's second highest civilian honour. During his stint as India's Finance Minister between 1991 and 1996, Dr. Singh was widely credited for initiating economic reforms in India. From 2004 till date he is serving as the current Prime Minister of India, having signed the historic Indo-US Nuclear Deal during his tenure.

Martha Nussbaum is Ernst Freund Distinguished Service Professor of Law and Ethics at the University of Chicago, appointed in Law, Philosophy, and Divinity. Her books include *The Fragility of Goodness* (1986), *Women and Human Development: The Capabilities Approach* (2000), *Upheavals of Thought: The Intelligence of Emotions* (2001), *Frontiers of Justice: Disability, Nationality, Species Membership* (2005), *The Clash Within: Democracy, Religious Violence, and India's Future* (2007), and *Liberty of Conscience* (2008). Along with Amartya Sen, she is one of two Founding Presidents of the Human Development and Capability Association.

Maurice Salles was born in a Lower Normandy village. He studied economics at the University of Caen and mathematics from books. He taught at Caen before becoming professor at the University of Nantes in 1979. In 1982, he returned to Caen as professor of economics where he now remains. His work is essentially in social choice and voting theory, including fuzzy social choice, cooperative games aspects of voting and analysis of rights. Salles was one of the founding editors of the journal *Social Choice and Welfare* in 1984 and has been

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Minar Pimple is the Deputy Director, Asia, UN Millennium Campaign. He leads the Campaign's work in the Asia Pacific region to promote the Millennium Development Goals and governance accountability, working with civil society organisations, youth and student organisations, media, local authorities and parliamentarians to facilitate their engagement to hold their governments to account towards fulfilment of MDGs. He has worked for more than 30 years on the issues of poverty in Asia. His was the coordinator for the Para Professional Training Programme at the College of Social Work of Bombay University. Since 1984, he devoted 25 years to establishing and developing "Youth for Unity and Voluntary Action" (YUVA), an organization that works towards human rights and sustainable development for urban and rural poor in India. He is the Chair of Oxfam India and member of the Oxfam International Board and a member of Housing and Land Rights Network's board.

Montek Singh Ahluwalia is currently Deputy Chairman, Planning Commission, Government of India. Ahluwalia's brilliant career spans academic research, international development policymaking and administration in senior positions in the Indian Government's finance and commerce ministries. Before assuming his responsibilities in the Planning Commission, he was Director, Independent Evaluation Office, at the International Monetary Fund,

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M S Swaminathan is a Plant Geneticist engaged in the improvement of wheat, rice and potato during the last 60 years. He had his Ph.D degree from Cambridge in 1952 and was elected a Fellow of the Royal Society in 1973. He is widely known as the scientific leader of the green revolution movement in India and South Asia. He served as Director General of the Indian Council of Agricultural Research as well as the International Rice Research Institute in the Philippines. He was President of the World Conservation Union (IUCN), Independent Chairman of the FAO Governing Council and President of the Pugwash Conferences on Science and World Affairs. He has received over 58 honorary doctorates from Universities around the Globe. He has received a number of awards for his significant contributions to promoting knowledge, skill, and technological empowerment, including the Ramon Magsaysay Award, the First World Food Prize and the Indira Gandhi Prize for Peace Disarmament and Development.

Nandan Nilekani is the Co-Chairman of Infosys Technologies Limited. He co-founded Infosys in 1981 which today has almost \$5 billion in revenue and over 100,000 employees worldwide.

He is Member of the Foundation Board of World Economic Forum, Board of Directors of the Peterson Institute for International Economics, Board of Governors of ICRIER, Board of Governors of the Indian Institute of Technology (Bombay), President of NCAER, Member of National Knowledge Commission and also part of the National Advisory Group on e-Governance in India.

He has received many awards and distinctions including Forbes Asia “Businessman of the Year” (2006), Padma Bhushan, one of the highest civilian honours of the Government of India, one of the 100 most influential people in the world in Time Magazine, Joseph Schumpeter prize for innovative services in economy, economic sciences and politics, CNBC’s Corporate Citizen of the Year award (2004), Fortune ‘Asia’s Businessmen of the Year’ (2003), and Financial Times/ Pricewaterhouse Coopers ‘World’s most respected business leaders’ (2002 and 2003). He has recently authored the book “Imagining India: Ideas for the New Century” .

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Pranab Mukherjee is currently External Affairs Minister in the Union government of India. He has been serving as Leader of the House, Lok Sabha, from 2004 till date. In the past he held charge of the Ministries of Finance, Defence and Commerce, and was also Deputy Chairman of the Planning Commission. He was previously also on the Board of Governors of the International Monetary Fund, the World Bank, the Asian Development Bank and the African Development Bank besides acting as Chairman, Group of 24, a Ministerial group attached to the International Monetary Fund and World Bank. He recently presided over the SAARC Council of Ministers Conference in 2007. He has published 5 books.

Rehman Sobhan has served as a Professor of Economics, Dhaka University, Member, Bangladesh Planning Commission, Director General, Bangladesh Institute of Development Studies, Member, of the Advisory Council of the President of Bangladesh, Founder and Executive Chairman, Centre for Policy Dialogue (CPD), and Executive Director, South Asia Centre for Policy Studies (SACEPS). He is currently Chairman, CPD. Professor Sobhan has held a number of important professional positions which include President, Bangladesh Economic Association, Member, U.N. Committee for Development Planning, Member of the Executive Committee of the International Economic Association, and Chairman of the Board of Grameen Bank. He is currently Chairman of the Pratichi Trust (Bangladesh) set up by Amartya Sen. His published works cover the political economy of development, public enterprise and privatization, foreign aid, petropolitics, agrarian reform, regional cooperation in South Asia, democracy and governance. He is currently working on the issue of poverty and injustice in South Asia.

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Srivastava's main areas of research and publication include human development, rural poverty and rural development, regional development, decentralization, labour markets and migration. He is the principal author of the first Human Development Report of Uttar Pradesh. He was one of the authors of the World Bank's report on poverty in Uttar Pradesh, and a widely acclaimed book on decentralisation and development in UP ("*Unequal Partners*", Sage Publications, New Delhi, 1999). He has recently co-authored a book (Oxford University Press,

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Shabana Azmi has starred in some of the greatest Indian films like Ankur, Mandi, Arth, Khandar, Paar, Godmother to name a few. Satyajit Ray, the noted film maker, has said, “Shabana Azmi in her very first film, ‘ANKUR’, firmly establishes herself as the finest dramatic actress of the country.”

Shabana has won several International Awards and the National Award for Best Actress five times. She is noted for her intensity on-screen, matched by her fierce advocacy for the rights of women, minorities, and displaced slum-dwellers off-screen, both through activism and in her role as a Member of Parliament (1997-2003), with her consistent stand in defense of liberal values and the freedom of expression. She has also been involved with issues concerning development, reproductive health, housing for the economically weaker sections, public health and HIV AIDS. She has fought relentlessly against religious fundamentalism of all hues and is highly respected as a moderate, liberal Muslim voice.

Other awards include the Gandhi International Peace Prize 2006 by Gandhi Foundation London – the first Indian to receive this prestigious award at the House of Commons in London; the Crystal Award at the World Economic Forum – Davos 2006, and the Government of India’s Padmashri.

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Sugata Bose is the Director of the South Asia Initiative at Harvard University and the Gardiner Professor of Oceanic History and Affairs. His main areas of research are modern South Asia and the history of the Indian Ocean region. Among his many publications are *Modern South Asia : History, Culture, Political Economy* (Routledge, 2004; with Ayesha Jalal), and *A Hundred Horizons: The Indian Ocean in the Age of the Global Empire* (Harvard University Press, 2006).

Sukhadeo Thorat is currently chairperson of University Grants Commission and Professor of Economics at Jawaharlal Nehru University. Thorat has been conferred D.Litt by numerous prominent universities in India. His research interest include agricultural development, rural poverty, institutions and economic growth, problems of marginalized groups, economics of the caste system, caste discrimination and poverty, human development, human rights issues, Ambedkar's thinking, slums, education etc. He has numerous books and scores of research articles to his credit.

Sunil Khilnani was born in New Delhi and educated at Trinity Hall and King's College, Cambridge. He is currently Starr Foundation Professor and Director, South Asia Studies at the School of Advanced International Studies, The Johns Hopkins University, in Washington DC. Formerly Professor of Politics at Birkbeck College, University of London, he has been a Fellow of Christ's College, Cambridge; a Visiting Professor at Seikei University, Tokyo; a Leverhulme Fellow (1998-2000); a Fellow at the Woodrow Wilson Center in Washington DC in 2001-02; and a Fellow at the Wissenschaftskolleg zu Berlin in 2006-2007. His publications include *Arguing Revolution: the Intellectual Left in Postwar France* (Yale University Press, 1993), *The Idea of India* (Penguin, 1997, 3rd edition 2003); as co-editor, *Civil Society: History and Possibilities* (Cambridge University Press, 2001). He is working on a biography of Jawaharlal Nehru.

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