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- 1) Rays book, Exercise 9(a) in Chapter 7.

 - 2.a) Evaluate the following:

“Poverty is a relative concept. It has no absolute elements; the rich of the previous generations had a lifestyle which even middle income groups today can afford. ”

 - 2.b) In light of the relation between poverty, nutrition and labour markets discuss the notion of a capacity curve. If work capacity affects future work output, wont employers wish to offer long-run contracts that take advantage of this? Discuss.

 3. You have been hired as an advisor to the government of some country. The government wants to demonstrate that it is engaged in alleviating poverty. You get a sum of money S to distribute among the population at your discretion. The poverty line p in the country is 0.5 of the mean income \bar{x} . The total population is $N = 10$. The income distribution is as follows:

4 people earn 4100 each. 2 people earn 900 each. 2 people earn 600 each. 1 person earns 400. 1 person earns 200.

$S=1000$

 1. Use the headcount as the poverty measure. How should you distribute the money to make the government happy?
 2. Now use the PGR as the poverty measure. Suggest one way to distribute the money.
 3. Now use the IGR as the poverty measure. Suggest one way to distribute the money.
 4. Use the Foster-Greer-Thornbeck index with $a = 2$ as the poverty measure. Suggest how to distribute the money.

 4. Read sections 1, 2 and 3 of the working paper by Flatø and Kotsadam (download on [https : //ideas.repec.org/p/hhs/osloec/2014.002.html](https://ideas.repec.org/p/hhs/osloec/2014.002.html)). Where needed, read the related sections in Chapters 8 and 9 of Ray.
 1. How can a temporary wheather shock, such as a drought, affect the poor more than the not poor?

2. How may droughts directly affect sex ratios among children, as opposed to affecting infant mortality at large? Name a few reasons.
3. Name a few economic reasons for gender discrimination against infants, and describe in a few words how they may interact with each other.