

## ABSTRACT

### Measurement and Mechanisms Exploring Patterns of Regional Development

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Inter-regional inequality has long been considered inevitable with economic growth and the relationship between them has been assumed to follow an inverted U-shaped pattern (Williamson, 1965). However, a number of studies have also found that high levels of income inequality have a significant negative effect on subsequent economic growth (Alesina and Rodrik, 1994; Persson and Tabellini, 1994; Alesina and Perotti, 1996) and that such differences often persist over time. Increasing inter-regional disparity in India has been a cause of concern in policy circles. While, there is an overall decline in income based poverty in India over time, several studies have found that there are significant differences across states and regions in the success rates of poverty reduction (Datt and Ravallion, 1998; Deaton and Dreze, 2002). High level of regional inequality is not considered desirable because of the probable impact on subsequent economic growth and for equity and sustainability considerations. In this thesis, I look at three core aspects of regional development.

Democracies have been argued to have more stable long-term economic growth rates through their ability to better manage economic shocks and resulting conflict (Rodrik, 1997). The relationship between democracy and conflict, while much studied in the literature, is a contested one. In my first essay, I construct a new index of democracy motivated by the multidimensional approach of Alkire and Foster (2011). I argue that this index is more suited to capture the degrees of democracy and thus contributes towards eliciting the relationship between democracy and conflict more accurately. I use a relatively recent cross-country dataset on democracy from Varieties of Democracy (V-Dem) project with more than 350 indicators for 173 countries and spanning the time period from 1900 to present. I find that my proposed index is able to accurately capture the quality of democracy in countries as it reflects the democratic upheavals that select countries have undergone quite reliably. I also find that while the linear relationship between democracy and conflict is not significant, the relationship between democracy and internal conflict is significantly negative when we use the log form of the explanatory variable. I also find a strongly negative relationship between democracy and internal conflict using Africa as a special case.

In the second essay, I conduct a sub-national analysis of poverty-inequality for India at the district level using NSSO consumption expenditure data from 1987 to 2012. Most of the related literature in India is limited to state level analysis barring few exceptions which conduct a district level analysis but for a specific year (Sastry, 2003; Chaudhuri and Gupta, 2009). I see an overall decline in poverty over the time-period studied, but a rise in the eastern region. I also find that inequality, while declining in the earlier decades, has increased recently. Due to the lack of data, the literature has used nighttime lights as a proxy for economic development especially for spatial comparisons. In this essay, I also compare the poverty and inequality estimates arrived at using consumption expenditure and luminosity data. I find that while the average economic development estimates have a significant negative correlation with poverty, the correlation with inequality is not present.

My third essay examines the impact of a particular policy, which aimed to promote balanced regional industrial development in India. However, the Freight Rate Equalization Policy has often been mentioned as one of the causes of underdevelopment of the mineral rich Eastern region of the country. In this paper, I try to assess the impact of the policy on inter-state disparity in India. Using a panel data set for 24 Indian states for the period from 1981-82 to 2012-13 and Difference-in-Difference estimation, I examine the impact of the policy on comparative economic growth rates of states of India. I find a statistically significant positive impact of abolition of freight rate equalization policy on overall Gross State Domestic Product of mineral rich states. Considerable heterogeneity is observed for the different states and I find that the positive impact on overall economic growth rate is largely driven by stronger effect in specific states.