

FAQ's

1) Which economist proposed the concept of Immiserizing growth?

Ans. Immiserizing growth is a theoretical situation first proposed by Jagdish Bhagwati, in 1958.

2) What is Immiserizing growth?

Ans. Immiserizing growth is a theoretical situation first proposed by Jagdish Bhagwati, in 1958, where economic growth could result in a country being worse off than before the growth. If growth is heavily export biased it might lead to a fall in the terms of trade of the exporting country.

3) What is the meaning of Transfer Problem?

Ans. The transfer problem refers to international transfers of income from the debtor country to the creditor country. Such transfer of income is also called real transfers because the debtor country repays interests and capital in terms of goods and services (real resources) to the creditors country.

4) What does reparation payments stands for?

Ans. Reparation payments are a form of transfer payments imposed by the victorious country over the vanquished country.

5) What are the effects of reparation payments according to Keynes on Germany?

Ans. Keynes pointed out that the reparation payments imposed on Germany by the Allies would not only place monetary burden but also a much larger real burden on Germany and a transfer problem. Germany would have to increase its exports and reduce its imports.

6) What is Ohlin's view of reparation payments?

Ans. According to Ohlin when Germany would increase payments, people would reduce the demand for imported goods. When money would be transferred to the allied countries, their purchasing power would increase and a portion of it would be spent on German goods. Thus there would be reduction in imports and increase in exports of Germany without worsening its terms of trade.

7) What is the direct effect of the transfer problem?

Ans. When the debtor country levies taxes on the people to repay the interest and loan, their incomes are reduced. Their demand will partly decline for domestic goods and partly for imported goods. The decrease in demand for domestic goods will increase the quantity of these goods available for export. Thus with reduction in imports and increase in exports, the terms of trade of the LDCs will not worsen.

8) Explains an external transfer problem?

Ans. The external transfer problem is how to raise net exports of goods and services to meet debt repayments. When a debtor (or borrower) country makes the repayment of debt, it not only transfers money to the creditor (or lender) country but also pure or real resources.

9) Why is Ohlin's view unrealistic in context of present of LDC'S?

Ans. Ohlin's analysis is unrealistic in the present context of LDCs because it considers only the income effect of the debt repayment and is based on the assumption of full employment in both the debtor and creditor countries. It also neglects the elasticities of demand and supply for exports.

10) Explain the Modern view along with two aspects of transfer problem?

Ans. The modern view is an extension of the Keynesian analysis of the burden of reparation payments. It has two aspects of the transfer problem. The first is what Keynes called the "pure" transfer problem when the country's resources are turned into foreign exchange for the repayment of debt. This is the external transfer problem. The second is the "budgetary" problem when the government acquires domestic resources for debt servicing.