

Problem set 1: Structures of developing economies, and the meaning of economic development

1. Choose 6 countries (two from least developed, two from middle income and two from highly developed) and from the appendix tables of the 1998/99 World Development Report collect information on a few important development indicators (as discussed in the class) and prepare a table. **(The appendix tables of the World Development Report is also available on line url of which is:**  
<http://www.worldbank.org/wdr/wdr98/contents.htm> tables are towards the end of the page.
2. Read chapter 2 of Todaro to understand the structure of less developed countries. Comment on the similarities of these characteristics that you find among the countries within the same income group and the main differences in these characteristics that you find between income groups?
3. Read chapter 2 of Todaro, and Chapter 1 of my notes to understand the problems associated with developing a good measure of development and living standard. You may (but it is not required) also read Amartya Sen (1988), "The concept of Development", chapter 1 in volume I in (eds) Chenery and Srinivasan, "Handbook of Development Economics".
  - (a) Comment on the following: *The essence of the argument that per capita income and growth rates can be misleading indicators of development is that these measures ignore the distribution of income.*
  - (b) What are the problems of using per capita income as a good indicator of level of development?
  - (c) Explain why purchasing power parity (PPP) measures of income levels tend to show a smaller differences in living standards between poor and rich countries.
  - (d) Explain other proposed measures of living standards – Human Development Index (HDI), Physical Quality of Life Index (PQLI).
  - (e) How do your chosen countries compare with respect these measures of development. Which measure you think is more reasonable? Why?
4. What is meant by development? Why do we need a separate discipline as Development Economics?