

THE DEVELOPMENT GAME

From: Gary S. Fields, Poverty Inequality and Development, Cambridge, 1980.

Problem 1: You Are Presented with the Following Information:

Country	Rate of Growth Of National Income (%)	Income Share of Poorest 40%			Gini Coefficient		
		Level	%	Change	Level	%	Change
Both Countries							
Initially		.363			.082		
Country A							
Later	9	.333	- 8		.133		+62
Country B							
Later	18	.307	-15		.162		+97

Note that the Gini coefficient is a measure of income inequality. The Gini coefficient takes on a value of zero when everyone receives the same income (perfect equality) and a value of one when one person receives all the income and no one else receives any (perfect inequality). The larger the Gini the worse the inequality.

Which country is doing better. Why?

Problem 2: You Are Presented with the Following Information:

Country	% of Labor Force in:		Rate of Growth of High-Wage Jobs (%)
	High-Wage	Low-Wage	
Both Countries			
Initially	10	90	
Country C Later	20	80	100
Country D Later	30	70	200

Which country is doing better? Why?

Country	Absolute Income of Poorest 40% of Population (\$)
Both Countries	4
Country E Later	4
Country F Later	4

Which country is doing better? Why?