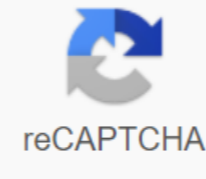




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contains all countries with indexes of less than 1/4; the oo category contains all countries with indexes exceeding 2, and so on. Now imagine doing this exercise for two points of time, in order to find out if a country is transiting from one category to another during that period. You'll generate what we might call the mobility matrix. Chart 2.5 illustrates this matrix from 23 years 1962 to 1984 using the Sammans-Heston dataset. The lines and columns of the matrix are exactly the categories that we just described. Thus, the cell of this matrix defines a couple of categories. What you see is the number in each of these cells. Look, for example, at record 26 in a cell defined by categories 1 (series) and 2 (column). This record tells us about the percentage of countries that have transitioned from one category to another within twenty-three years. Thus, in 1962, 26 per cent of countries that were between half the world average and the world average were between the global average and twice the global average. The matrix built in the way gives you a pretty good idea of how much mobility there is in relative GNP per capita in different countries. A matrix with very high numbers on the main diagonal, consisting of these special cells with the same categories of rows and columns, indicates low mobility. According to such a matrix, countries that start in a certain category are highly likely to stay right there. Conversely, a matrix that has the same numbers in each entry (which should be 20 in our case 5 and 5, given that the numbers must add up to 100 along each row) shows an extremely high level of mobility. Regardless of the starting point in 1962, such a matrix would give you an equal chance of being in any of the categories in 1984. Figure 2.5. Income mobility, 1962-1984. Source: Kua (1993). With these observations in mind, continue to look at Figure 2.5. Note that middle-income countries have much greater mobility than the poorest or wealthiest countries. For example, category 1 countries (between half the world average and the world average) moved right and left in 1962, less than half of them staying where they were in 1962. In contrast, more than three quarters of the poorest countries (category 1/4) remained where they were in 1962, none of which had gone above the world average by 1984. Similarly, 95 per cent of the richest countries in 1962 remained where they were in 1984.⁸ It is interesting because it suggests that while anything is possible (in principle), a history of backwardness or extreme poverty puts countries at a huge disadvantage. This finding may seem trivial. Poverty should feed on itself and so should wealth, but on reflection you will see that it really is not. There are, of course, many reasons to believe that historically low incomes can be beneficial for rapid growth. New technologies are available in more developed countries. Capital reserves are low compared to the workforce in poor countries, so the marginal product of capital may well be high. In retrospect, there are some advantages to enjoying: you can learn success stories and avoid the policies that have led to past failures. This account does not mean that the previous empirical finding is inexplicable: it is simply to say that a priori guess does not give simple answers. We'll have a lot more to say on this topic throughout the book. There is actually a little more to drawing 2.5 than lack of mobility at extremes. Look at the next to the poorest category (those with incomes from one-quarter to half the average in 1962). By 1984, 7 percent of those countries were transiting for incomes above the global average. However half of them have fallen to an even lower category. Thus, it is not only the lowest-income countries that may find themselves in a very difficult situation. In B at low income levels, the general trend appears to be downward movement. To sum up, we have the following observations. (1) Between 1960 and 1985, the relative distribution of world income appears to have been fairly stable. The richest 5% of the world's countries had an average per capita income of about 29 times the rate for the poorest 5%. By any standards, this inequality is staggering, and especially when we remember that we are talking about incomes that have been corrected for purchasing power parity. (2) The fact that the overall distribution remains unchanged does not mean that there is virtually no movement of countries in the world distribution. Of particular interest in the 1980s is the growth of East Asian economies and languishing in other countries, particularly in sub-Saharan Africa and Latin America. Various growth experiences like these can change the economic composition of the world within a few decades. However, one explanation for this diversity remains elusive. (3) The observation that a number of countries have changed their relative positions indicates that, in the end, there are no pitfalls for development. At the same time, the history of wealth or poverty seems to partly predict future events. The mobility of countries appears to be the highest somewhere in the middle of wealth distribution, while a history of backwardness or extreme poverty seems to put countries at a disadvantage. (4) This story matters in a way that is observation that requires a thorough explanation. Poor countries seem to have some advantages. They can use, relatively free, technologies that are developed by their richer counterparts. Capital deficits in these countries should result in higher profits because of the law on lower profits. They can learn from the mistakes made by their predecessors. Thus, the differences between countries should smooth themselves over in the long run. Thus, the observation that history matters to preserve the persistence of the differences requires more justification than may be obvious at first glance. 2.3. Income distribution in developing countries International inequality of national income is just one sign that something is fundamentally linked to global development. Add to that the striking disparities seen in each of the vast majority of developing countries. It is commonplace that vast wealth coexists with great poverty, and nowhere is this more evident than on the streets of Bombay, Rio de Janeiro is not that such inequality does not exist in developed countries - they certainly exist, but in combination with low middle incomes developing these are these lead to visible poverty and poverty. We'll have a lot more to say on the topic of income distribution later in this book (see especially chapters 6 and 7). As a review, however, it is useful to feel the magnitude of the problem by looking at some data.⁹ Figure 2.6 summarizes recent information on inequality for individual countries covering the range between the poorest and richest.¹⁰ This figure captures the share of incomes of the poorest 40% of the population, as well as the share of income of the richest 20% of the population. Simply setting out the data, you can see that the poorest 40% of the population earn on average about 15%, perhaps less than the total income, while the richest 20% earn about half of the total income. While there are many differences around these averages (see subsequent discussion), this is a big discrepancy. Remember, in order to understand how this inequality affects the poorest in each country, we need to exacerbate this intracountry inequality by the cross-country difference that we have already talked about. The poor are cursed twice: once for living in poor countries on average, and then again for being on the receiving end of high levels of inequality in these countries. Figure 2.6 also shows tentative trends in these proportions as we move from poor to rich countries. There appears to be a tendency to development economics debraj ray pdf free download. debraj ray development economics pdf download. development economics debraj ray 1998 pdf download

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