

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

First, I want to give just one note of encouragement. The material in Chapter 2 is by far the hardest material in the whole course. Thus, assignment #2 will be the hardest material of the course. Do not let that discourage you. I will skip some of the hardest parts of that chapter because the actual models are not important, the conclusions are the important part.

1A) (25 points) We normally measure economic development by real GDP per capita. Why is that not a good way to measure it? Give at least two reasons.

1B) (25 points) There are other measures like illiteracy rate. What other measures do you think we should include? Why do you think that? Make sure you include at least two other variables.

2) (20 points) Some economists say that a prerequisite to development and growth is an equitable set of laws and fair courts to enforce the laws. Why is that important?

3) (15 points) Many developing countries have a lower real GDP per capita when measured by exchange rates rather than by PPP. Why is that?

4) (15 points) In early 2001, Hosni Mubarak, the President of Egypt, said in an interview with PBS, "Without infrastructure, a country cannot be truly free." Explain what he meant by that.