

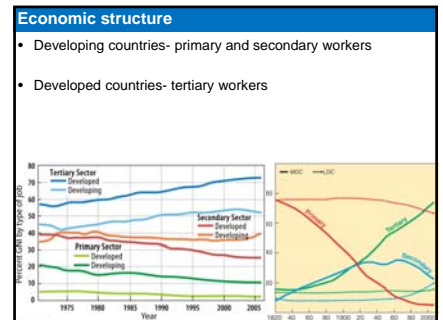
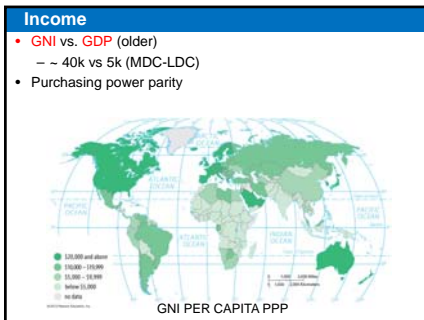
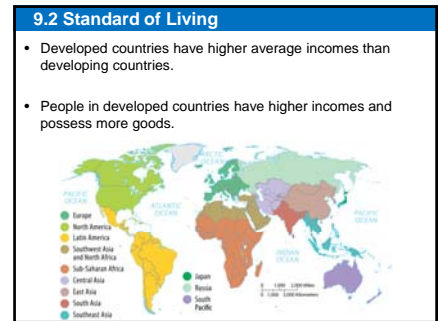
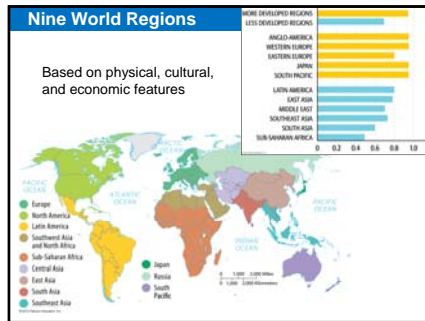
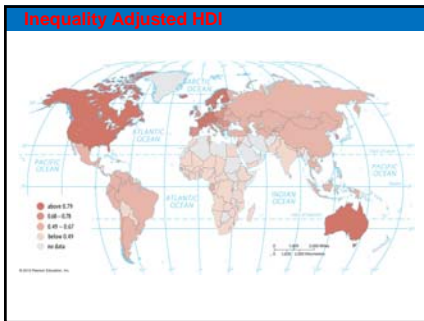


9.1 Human Development Index

- **Development**
 - improving the material conditions
 - diffusion of knowledge and technology
 - Measure by **HDI**
- Standard of living
- Access to knowledge
- Life expectancy

9.1 Human Development Index

- **Developed country**
 - AKA more developed country (**MDC**)
 - AKA relatively developed country
- **Developing country**
 - AKA less developed country (**LDC**)
 - (rapidly developing country?)

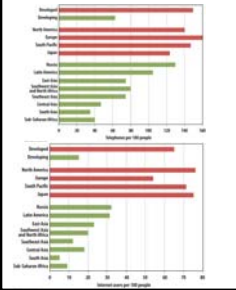



Productivity

- **Productivity**- value vs. labor
 - measured by **value added**: V-(M+E)
 -
- **Machine power vs. human and animal power**
 - MDCs are more productive because they are more mechanized and have better tools



Consumer goods

Consumer goods: transportation

Trabant: Made of plasticised cotton waste
Volkwagon: Made of steel



Third World Transportation




Focus on North America

- Highest per capita income
- Most tertiary-sector employees (financial and medical services, entertainment, mass media)
- Largest consumer market
- Largest food exporter. Lots of resource, room for growth,
- Less language and religious diversity, tensions with minorities, politically divided



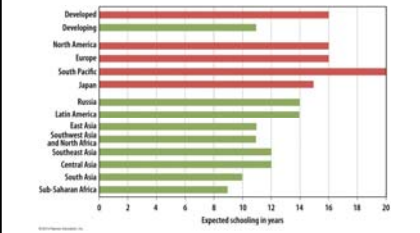
9.3 Access to Knowledge

- **Quantity of schooling**
 - Most critical measure of access to knowledge for development
- 1) **Mean years of schooling**
 - The number of years the average person age 25 or older in a country has spent in schools (11 vs. 6)



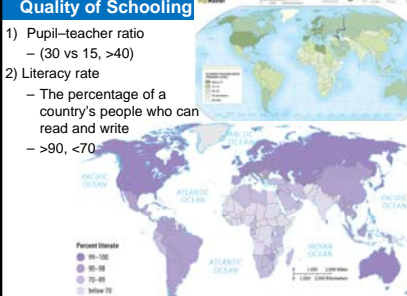
2) Expected years of schooling

- The number of years that the average five-year-old child is expected to spend with his or her education (16 vs. 11)




Quality of Schooling

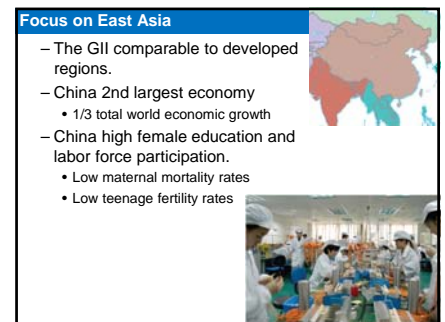
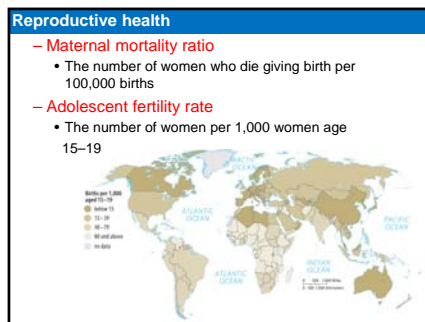
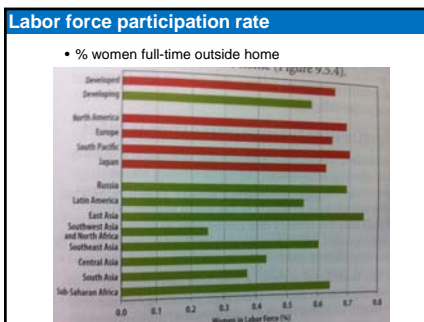
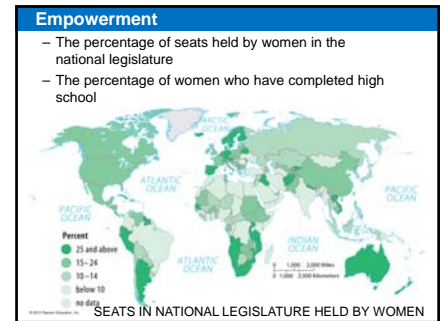
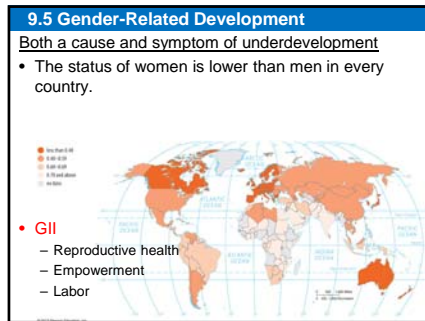
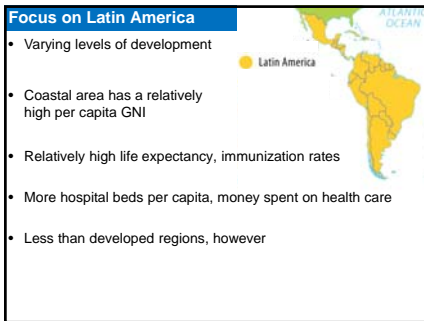
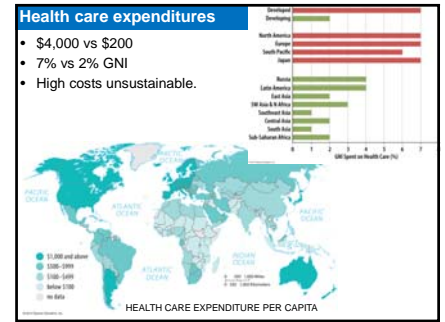
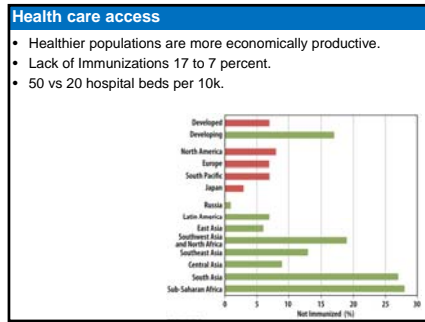
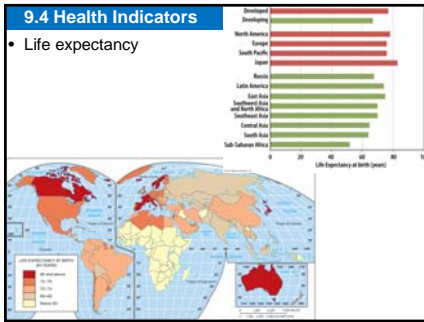
- 1) **Pupil-teacher ratio**
 - (30 vs 15, >40)
- 2) **Literacy rate**
 - The percentage of a country's people who can read and write
 - >90, <70



Focus on Europe

- World's highest HDI
 - European core pattern
- High levels of schooling
- Higher pupil-teacher ratios
- Universal literacy
- Eastern European countries skew the data.
- High value goods and services






9.6 Two Paths to Development

1. Development through self-sufficiency
 - balanced growth approach
 - Investment spread equally as possible across all sectors of a country's economy and in all regions
 - Social equity: business and consumer interests linked by government intervention
 - Reducing poverty vs. consumerism
 - isolated from foreign competition
 - Tariffs, quotas, and licenses limit imports

Self-sufficiency: India

- Barriers to trade
 - Imports subjected to licensing and bureaucratic barriers.
 - Limited quantities of imports permitted
 - High taxes on imported goods
 - No currency exchange
 - Government permission required for sale of new products, factory modernization, and changes in production and staffing.



2) Development through international trade

- W. W. Rostow's model
 1. The traditional society
 - Agriculture and national wealth allocated to "nonproductive" activities
 2. The preconditions for takeoff
 - Technology investment and infrastructure development
 3. The takeoff:
 - Rapid growth generated by limited number of economic activities
 4. The drive to maturity
 - Wide diffusion of modern technologies
 5. The age of mass consumption
 - Production shift from heavy industry to consumer goods


International trade examples

- The "Four Dragons" barriers to trade
 - South Korea, Singapore, Taiwan, Hong Kong
- Petroleum-rich Arabian Peninsula countries



Self-sufficiency shortcomings

- Protected inefficient industries.
- Large bureaucracy
- Corruption




International trade shortcomings

- Local hardships
- Slow market growth
- Low commodity prices



International trade triumphs

- India
 - Reduced taxes and restrictions on imports and exports
 - Eliminated many monopolies
 - Encouraged improvement of the quality of products



GDP PER CAPITA CHANGE IN INDIA

Focus on Southwest Asia and North Africa

- Uneven development
- Lots of imports, but has a trade surplus
- Cultural clash between some business practices and Islamic principles
- Restrictions on women's education and employment
- Prayer practices halt business several times per day.



9.7 World Trade

- World Trade Organization (WTO)
 - 1. Reduce or eliminate restrictions:
 - trade
 - flow of money
 - 2. Enforce agreements:
 - Rules on violations
 - Imposing restrictions
 - 3. Protect intellectual property:
 - See #2

WTO critics

- Progressive: WTO is antidemocratic
- Conservative: WTO compromises power and sovereignty of individual countries
- **Foreign Direct Investment (FDI)**
 - **Transnational Corporation (TNC)**

Focus on Southeast Asia

- Cheap labor advantage
- Thailand
 - Region's center for automobile and consumer goods manufacturing
 - Recent reforms have slowed development.

9.8 Financing Development

1) Foreign aid

- U.S. government gives .2 percent of its GNI
- European countries give .5 percent of their GNI

9.8 Financing Development

2) Loans

- World Bank
- International Monetary Fund (IMF)
- 50 percent of World Bank projects failures
 - Faulty engineering
 - Squandered aid
 - Lack of business attraction

Structural adjustment programs

- Economic “reforms” and “adjustments”
- Policy Framework Paper (PFP)
 - Outlines structural adjustment program
- Requirements typically include:
 - Spend only what it can afford
 - Direct benefits to the poor, not just elite
 - Divert investment from military to health and education
 - Invest scarce resources where impact would be greatest
 - Encourage more productive private sector
 - Government reform

Structural adjustment programs critics

- Structural adjustment programs lead to:
 - Cuts in health and education
 - Loss of state enterprise and civil service jobs
 - Less support for the most in need
- International organizations support
 - lead to economic growth

Focus on Central Asia

- Relatively high level of development in Kazakhstan and Iran
 - Oil revenues used to finance development
 - Iran has also used oil to promote revolutions elsewhere.

9.9 Fair Trade

- Fair trade standards
 - Fair trade Labeling Organisations International
 - Sets international standards for:
- 1) Fair trade producer practices
 - Fair trade cooperatives
 - Local producers are members and have greater oversight.
- 2) Worker standards (see next slide)

Fair trade worker standards


- Employers' requirements include:
 - Fair wages
 - Permitting of unions
 - Environmental and safety standards compliance
- International trade development path
 - Characteristics may include:
 - Working long hours in poor conditions
 - Low pay
 - Minimal oversight by international loan agencies
 - Child labor
 - Forced labor
 - Poor sanitation and safety
 - No compensation for injured, ill, and laid-off workers

9.9 Fair Trade

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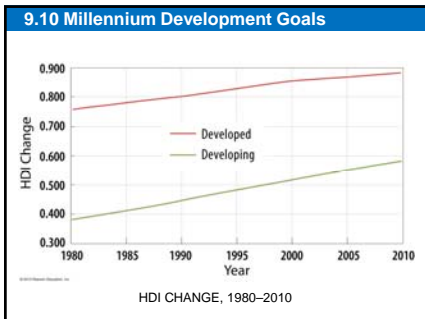
Focus on South Asia

- Grameen Bank in Bangladesh
 - Allows would-be entrepreneurs to acquire loans
 - Extremely low default rate
 - Many women have benefited.



9.10 Millennium Development Goals


- Gap between developed and developing countries has narrowed
 - Core and periphery
- Closing the gap
 - Since 1980, all but three countries have had improved HDI scores.
 - Congo Democratic Republic, Zambia, Zimbabwe



9.10 Millennium Development Goals

- Millennium development goals
 - 1: End poverty and hunger
 - 2: Achieve universal primary (elementary school) education
 - 3: Promote gender equality and empower women
 - 4: Reduce child mortality
 - 5: Improve maternal health
 - 6: Combat HIV/AIDS, malaria, and other diseases
 - 7: Ensure environmental sustainability
 - 8: Develop a global partnership for development

Focus on Sub-Saharan Africa



- Least favorable prospect for development
- World's highest percentage of people living in poverty
- Poor health care
- Low education levels
- Imbalance between population and physical environment's support capacity

