# Ch. 10 Development

Key Issue 1: Why does development vary among countries?

*Development- the process of improving the material conditions of people through diffusion of knowledge and technology.*

*More developed country- (MDC) a country that has progressed relatively far on the development continuum. Also relatively developed country; developed country.*

*Less developed country- (LDC) a country in an earlier stage of development. Also developing country.*

*Gross Domestic Product- (GDP) the value of the total output of goods and services produced in a country per year.*

*Literacy rate- the percentage of a country’s people who can read and write.*

*Human Development Index- (HDI) the official “scorebook” that the U.N. uses to classify countries’ development as distinguished by its economic, social, and demographic factors. The economic factor is a country’s GDP per capita; the social factors are literacy rate and the amount of education; the demographic factor is life expectancy.*

The country with the highest HDI has been Norway at .944. Others have been Canada, Japan, U.S.A., and various W. Europe countries. The lowest ranking HDI was recorded in Sierra Leone with a .275. The other global lows are clustered in sub-Saharan Africa.

The different types of jobs are classified into three major sectors, all of which will be discussed in greater detail in later chapters.

-*Primary sector jobs are those that are involved in directly extracting materials from the Earth*, i.e. ag, mining, fishing.

-*Secondary sector jobs are manufacturing jobs.*

-*Tertiary sector jobs involve the provision of goods and services to people in exchange for payment.* This sector is subdivided into quaternary (businesses like trade, insurance, banking) and quinary (health, research, govt.)

In MDC’s the number of primary and secondary sector jobs have decreased while the tertiary sector has increased enormously. In LDC’s the number of primary sector workers may be exceed 75% in countries where individuals must actively engage in subsistence farming.

*Productivity- the value of a particular product compared to the amount of labor needed to make it.*

*Value added- the gross value of the product minus the costs of raw materials and energy.*

Both productivity and value added are higher in MDC’s where manufacturing is far more efficient.

Generally, those countries that have had abundant resources stood a better chance to develop than those that have had few resources. However, some countries, like

Japan or Switzerland have achieved superb development w/out many resources, primarily through world trade.

A measure of the wealth of a country is the number of consumer goods, like telephones, computers, cars, and television. In LDC’s, very few of these products are likely to be found, and those that do exist are normally shared among many neighbors who all share the cost. Contrasted with MDC’s where the number of TVs to people is practically 1:1. In MDC’s those with wealth typically reside in the suburbs and the lower classes reside in the inner cities; LDC’s show the exact opposite with the wealth clustered in the city and poor people living in the countryside.

The literacy rate exceeds 95% in MDC’s compared to less than 30% in some LDC’s. The student-teacher ratio is 15 or below in many MDC’s and above 40 in some LDC’s.

People are healthier in MDC’s because there are more physicians, hospitals, and nurses per person than in LDC’s. The people in MDC’s have a healthier, more complete diet, and receive more calories and proteins than the people in LDC’s who barely receive the daily minimum.

Life expectancy is higher in MDC’s than in LDC’s. Infant mortality rate, Natural Increase Rate, and CBR are all higher in LDC’s. CDR is not indicative of development because it remains relatively constant betwixt MDC’s and LDC’s. The reasons for this are that medical technology has diffused to the LDC’s and thus lowered their CDR, and that there is a higher number of old people in MDC’s, therefore the CDR will equal that of LDC’s.

Key Issue 2: Where are more and less developed countries distributed?

The world is categorized into nine major regions according to their level of development. The nine regions are:

-Anglo-America – Canada and the U.S.

-Latin America

-Western Europe

-Eastern Europe -East Asia

-Japan is separate and is its own region.

-South Asia

-Southeast Asia

-Australia and New Zealand are treated separately and known as the S. Pacific.

-Middle East

-Sub-Saharan Africa

Three of the nine regions are classified as more developed. They are Anglo-America, W. Europe, and E. Europe. (Japan and the S. Pacific as well) The other six are considered less developed.

Developed Regions

ANGLO-AMERICA has an HDI of .94

WESTERN EUROPE has an HDI of .92

EASTERN EUROPE has an HDI of .78. It is the only region on Earth where the HDI

has actually declined. This is due to production cutbacks, higher death rates, and various other hardships as a result of overcoming communism and having to rebuild their economies. The HDI is actually identical to that of Latin America. However, because of E. Europe’s history of economic development, it is listed as a more developed region.

JAPAN has an HDI of .93

SOUTH PACIFIC has an HDI of .93

Developing Regions

LATIN AMERICA has an HDI of .78. Development is high along coast, where MDC’s have established manufacturing centers or tourist destinations, but the standard of living is lacking elsewhere in the region.

EAST ASIA has an HDI of .72. China is expected to overtake U.S. as the world’s largest economy w/in a few years.

SOUTHEST ASIA has an HDI of .71

MIDDLE EAST has an HDI of .66. Many of the wealthiest people in the world are clustered here because of oil. However, only a select few have access to this money, and it is poorly distributed to the general public.

SOUTH ASIA has an HDI of .58

SUB-SAHARAN AFRICA has an HDI of .47

Key Issue 3: Where does level of development vary by gender?

*Gender-related development index- (GDI) compares the level of development of women with that of both sexes.*

*Gender empowerment measure- (GEM) compares the ability of women and men to participate in economic and political decision making.*

The GDI uses the same indicators of development used in the HDI adjusted to reflect differences in the accomplishments and conditions of men and women. The GDI reflects improvements in the standard of living and well being of women, whereas the GEM measures the ability of women to participate in the process of achieving those improvements. The GEM is calculated by combining:

-Two indicators of economic power

-income

-professional jobs

-Two indicators of political power

-managerial jobs

-elected positions

The GDI and GEM are both substantially higher in MDC’s than in LDC’s.

Key Issue 4: Why do less developed countries face obstacles to development?

There are two models of development that an LDC can take.

1. DEVELOPMENT THROUGH SELF-SUFFICIENCY: According to this

approach, a country should spread investment as equally as possible across all sectors of its economy and in all regions. The growth may take time, but will occur over a broader spectrum. The idea is accomplished by protecting internal businesses by setting barriers that limit the import of goods from other places using tariffs, quotas, etc; and limiting the amount of goods that can be exported to other countries. An example of this approach is India, which for years made effective use of barriers to promote internal growth. Problems with the selfsufficiency approach are that it is inefficient because internal businesses are assured of the market and do not have to compete by developing new products or lowering their prices. The self-sufficiency model also demands a large bureaucracy to administer the controls, and this opens the govt. up to corruption.

1. DEVELOPMENT THROUGH INTERNATIONAL TRADE: This model was

developed by W.W. Rostow in the 1950s. The model is divided into five stages:

* + 1. *The traditional society.* This stage is before a country has started to develop. A large number of the population is engaged in subsistence ag.
    2. *The preconditions for takeoff*. At this stage, a group of elite businessmen begin to organize the economy and create infrastructure for future manufacturing and services.
    3. *The takeoff.* Rapid growth is experienced in few select businesses. These advances “fuel the fire” by providing capital for the other businesses to utilize.
    4. *The drive to maturity.*  Modern technology, previously confined to the takeoff industries, diffuses to every facet of the economy which then realizes rapid growth.
    5. *The age of mass consumption.* The economy shifts from second sector to tertiary and consumer goods begin to grow in numbers.

MDC’s are in stages 4 or 5, while LDC’s are in one of the first three. Rostow’s model is often considered overly optimistic by assuming that every country will develop. The core-periphery model states that the LDC’s (periphery) will remain so until they “beat the system” and become part of the core (MDC’s). Examples of Rostow’s model can be seen in the oil-rich Middle East states or the Four Asian Dragons (S. Korea, Taiwan, Singapore, and Hong Kong) all of whom developed some internal advantage, i.e. oil or cheap labor, and sold it to the MDC’s. Problems with Rostow’s model are:

* 1. Resources are not distributed unevenly, causing some countries to be left with little internally to sell to MDC’s
  2. The stagnation of the world market
  3. As alluded to in the core-periphery model, the LDC’s will continue to become more indebted to the MDC’s.

Rostow’s model is seen as a more applicable approach to development than is the self-sufficiency model in the modern era. Countries like India that have recently switched to the international trade approach have seen far greater results. To further promote this model the World Trade Organization (WTO) was founded.

Regardless of the approach taken, nearly all LDC’s face the challenge of financing their development. LDC’s can borrow money from MDC’s to build infrastructure in order to instigate growth, but many are unable to even pay the interest on the loans, much less actually pay them off. Recently, MDC’s have grown increasingly unwilling to lend money to LDC’s because of their history of defaulting. Many MDC’s force the LDC’s that wish to borrow money to adopt *structural adjustment programs- economic policies that create conditions encouraging international trade, such as raising taxes, reducing govt. spending, controlling inflation, selling publicly owned utilities to private corporations, and charging citizens more for services.*

In recent years, U.S., Japanese, and European multinational corporations (MNC) have been created. These companies take advantage of the cheap labor and relaxed regulations found in many of the LDC’s to produce products cheaply and sell them back home for much higher. The main problem with MNCs is that LDC governments concentrate only on creating the infrastructure to attract these large companies, therefore using crucial funds to draw big business instead of investing in the standard of living of its citizens. In addition, the govt. may overlook labor violations in order to keep the MNC from leaving.