

Development: Terms

- ❖ “The process of improving the material conditions of people through diffusion of knowledge and technology.”
- ❖ There are nearly 200 countries in the world today.
- ❖ Every country lies at some point along the **development continuum**.
- ❖ We can **rank countries** in terms of their development.
- ❖ Many countries cluster at either the high or the low end of the continuum, so we can divide countries into groups:
 - MORE DEVELOPED COUNTRIES (also called “MDCs,” “Relatively Developed Countries,” and “Developed Countries”)
 - LESS DEVELOPED COUNTRIES (also called “LDCs,” and “Developing Countries”)

Loaded Terms?

- ❖ Any discussion of development tends to get into issues of pride and resentment – after all, when describe one place as “developed” and another as “less developed” – well, what are we really saying? “Less developed” isn’t usually meant as a compliment!
 - “More Developed” ≈ “Developed” ≈ “Modern”?
 - “Developing” ≈ “Less Developed” ≈ “Backward”?

Measuring Development

- ❖ How do you measure “material conditions?”
- ❖ How do you come up with a measure that works to describe conditions in nearly 200 countries?
- ❖ For many years the basic measure used to compare the development was economic – gross domestic product (total value of a country’s goods and services).
- ❖ But “material conditions” for the country as a whole aren’t very well described by GDP alone.

- ❖ So, starting in 1990, building on the work of Indian economists Partha Dasgupta and Amartya Sen, the Pakistani economist Mahbub ul Haq worked with United Nations to devise a better measure: **the human development index.**

The HDI

- ❖ The United Nations creates the human development index (HDI) using a combination of measures:
 - One **economic** indicator of development.
 - Two **social** indicators of development.
 - One **demographic** indicator of development.
- ❖ A single value – an **index number** – is then computed, and every one of the nearly 200 countries in the world can be compared in terms of their overall development.
- ❖ Remember – to create this kind of number the data that is used to create the index must be **available** for all (or nearly all) countries, and it must be **comparable**.

Possible Economic Measures of Development

- ❖ Gross Domestic Product
 - Total value of goods and services produced in a country.
- ❖ Sector of Employment
 - Jobs fall into three categories:
 - Primary (agriculture, fishing)
 - Secondary (manufacturing)
 - Tertiary (services).
 - Workers in the secondary and tertiary sectors earn more than those in the primary sector; high numbers in the primary sector means producing and getting food is a major difficulty for many people.
- ❖ Productivity
 - Value of products, compared to the amount of labor necessary to produce them.
- ❖ Availability of Raw Materials
 - A country's access to raw materials is measure of development potential – but not a very certain one!
- ❖ Availability of Consumer Goods
 - After necessities are taken care of, “luxuries” drive an economy – more consumer goods means more manufacturing and a higher level of development.

Possible Social Measures of Development

- ❖ Education & Literacy
 - In general, the higher the quantity of education and literacy, the higher the level of development.
 - Measures of education:
 - Average number of years attended.
 - Student/teacher ratio.
 - Literacy rate (percent of the population that can read and write).
 - Education measures can also be analyzed for differences between male and female levels of education.
- ❖ Health and Welfare
 - Measuring “healthiness” is tricky, so surrogate measures are used, such as:
 - Ratio of people to hospitals, doctors and/or nurses.
 - Diet (total calories available per person per day).

Possible Demographic Measures of Development

- ❖ There are many demographic differences between MDCs and LDCs.
- ❖ Possible choices include:
 - Life Expectancy at birth (the average number of years a newborn can expect to live at current mortality levels).
 - Infant Mortality Rate
 - Rate of Natural Increase
 - Crude Birth Rate
- ❖ Note that the Crude Death Rate is not a good indicator of development:
 - Better medical technology in LDCs means that a low death rate may not indicate high development.
 - MDCs tend to have more elderly populations – so a high death rate does not necessarily indicate low development.

Computing the HDI

- ❖ The variables the UN currently uses:
 - ECONOMIC: Gross Domestic Product per capita (this is calculated in terms of purchasing power parity [PPP], in US dollars).
 - SOCIAL: Education (calculated based on adult literacy and on total school enrollment).
 - DEMOGRAPHIC: Life expectancy at birth.
- ❖ The actual formula used is:
$$\text{HDI} = (\frac{1}{3} * \text{economic}) + (\frac{1}{3} * \text{social}) + (\frac{1}{3} * \text{demographic})$$

The 2006 HDI Figures

HDI rank ^a	Human development index (HDI) value 2004	Life expectancy at birth (years) 2004	Adult literacy rate ^b (% ages 15 and older) 2004	Combined gross enrolment ratio for primary, secondary and tertiary schools (%) 2004 ^c		GDP per capita (PPP US\$) 2004	Life expectancy index	Education index	GDP index	GDP per capita (PPP US\$) rank minus HDI rank ^d
				2004	2004 ^c					
HIGH HUMAN DEVELOPMENT										
1 Norway	0.965	79.6	.. ^e	100 ^f	38,454	0.91	0.99	0.99	0.99	3
2 Iceland	0.960	80.9	.. ^e	96 ^g	33,051	0.93	0.98	0.97	0.97	3
3 Australia	0.957	80.5	.. ^e	113 ^f	30,331	0.92	0.99	0.95	0.95	11
4 Ireland	0.956	77.9	.. ^e	99	38,827	0.88	0.99	1.00	0.95	-1
5 Sweden	0.951	80.3	.. ^e	96	29,541	0.92	0.98	0.95	0.95	11
6 Canada	0.950	80.2	.. ^e	93 ^{g, h}	31,263	0.92	0.97	0.96	0.96	4
7 Japan	0.949	82.2	.. ^e	85	29,251	0.95	0.94	0.95	0.95	11
8 United States	0.948	77.5	.. ^e	93	39,676	0.88	0.97	1.00	0.97	-6
9 Switzerland	0.947	80.7	.. ^e	86	33,040	0.93	0.95	0.97	0.97	-3
10 Netherlands	0.947	78.5	.. ^e	98	31,789	0.89	0.99	0.96	0.96	-1
11 Finland	0.947	78.7	.. ^e	100 ^f	29,951	0.89	0.99	0.95	0.95	4
12 Luxembourg	0.945	78.6	.. ^e	85 ^{h, i}	69,961 ^j	0.89	0.94	1.00	0.95	-11
13 Belgium	0.945	79.1	.. ^e	96	31,096	0.90	0.98	0.96	0.96	-2
14 Austria	0.944	79.2	.. ^e	91	32,276	0.90	0.96	0.96	0.96	-7
15 Denmark	0.943	77.3	.. ^e	101 ^f	31,914	0.87	0.99	0.95	0.95	-7
16 France	0.942	79.6	.. ^e	93	29,300	0.91	0.97	0.95	0.95	1
17 Italy	0.940	80.2	98.4 ^e	89	28,180	0.92	0.96	0.94	0.94	3
18 United Kingdom	0.940	78.5	.. ^e	93 ^g	30,821	0.89	0.97	0.96	0.96	-5
19 Spain	0.938	79.7	98.0 ^{e, k}	96	25,047	0.91	0.98	0.92	0.92	3
20 New Zealand	0.936	79.3	.. ^e	100 ^f	23,413	0.90	0.99	0.91	0.91	5
21 Germany	0.932	78.9	.. ^e	89 ^g	28,303	0.90	0.96	0.94	0.94	-2
22 Hong Kong, China (SAR)	0.927	81.8	.. ⁱ	77	30,822	0.95	0.88	0.96	0.96	-10
23 Israel	0.927	80.0	97.1	90	24,382	0.92	0.95	0.92	0.92	0
24 Greece	0.921	78.3	96.0 ^e	93	22,205	0.89	0.97	0.90	0.90	3
25 Singapore	0.916	78.9	92.5	87 ^m	28,077	0.90	0.91	0.94	0.94	-4

Source: <http://hdr.undp.org/hdr2006/>

Is There Anything Better?

- ❖ The HDI is certainly a better measure of “material conditions” than GDP, but it may not measure everything we are interested in. There are many, many other possible ways of looking at development.
- ❖ A sample of other possible measures could include:
 - Physical Quality of Life Index (PQLI)
 - Proposed in the 1970s.
 - Uses three variables:
 - Life expectancy
 - Infant mortality
 - Literacy
 - The PQLI has not been widely used; the problem is that these three variables are tightly correlated.
 - The PQLI has been replaced with better measures, including the Human Poverty Index (HPI)
 - Human Poverty Index (HPI)

- Calculated by the UN Development Programme (along with the HDI).
- The HPI is calculated using four variables:
 - Probability at birth of not surviving to age 40.
 - The adult illiteracy rate.
 - The unweighted average of
 - the percentage of the population without sustainable access to an improved water source;
 - the percentage of underweight children.
- Two different HPIs are calculated, one for developing and one for developed countries.

HPI-1 ranks for 102 developing countries and areas							
1 Uruguay	21 Turkey	42 Mongolia	63 Lao People's Dem. Rep.	84 Senegal			
2 Chile	22 Brazil	43 Cape Verde	64 Tanzania, U. Rep. of	85 Bangladesh			
3 Argentina	23 Suriname	44 Egypt	65 Pakistan	86 Gambia			
4 Costa Rica	24 Mauritius	45 Fiji	66 Madagascar	87 Zambia			
5 Barbados	25 Peru	46 Algeria	67 Rwanda	88 Zimbabwe			
6 Cuba	26 China	47 Myanmar	68 Nepal	89 Lesotho			
7 Singapore	27 Dominican Republic	48 Guatemala	69 Equatorial Guinea	90 Benin			
8 Occupied Palestinian Territories	28 Bolivia	49 Vanuatu	70 Eritrea	91 Central African Republic			
9 Mexico	29 Syrian Arab Republic	50 Gabon	71 Bhutan	92 Guinea-Bissau			
10 Colombia	30 Jamaica	51 Congo	72 Togo	93 Botswana			
11 Jordan	31 Philippines	52 Djibouti	73 Cambodia	94 Mozambique			
12 Panama	32 El Salvador	53 South Africa	74 Haiti	95 Sierra Leone			
13 Qatar	33 Viet Nam	54 Sudan	75 Papua New Guinea	96 Guinea			
14 Paraguay	34 United Arab Emirates	55 India	76 Nigeria	97 Swaziland			
15 Malaysia	35 Iran, Islamic Rep. of	56 Comoros	77 Yemen	98 Ethiopia			
16 Venezuela, RB	36 Maldives	57 Namibia	78 Burundi	99 Niger			
17 Trinidad and Tobago	37 Honduras	58 Ghana	79 Angola	100 Chad			
18 Ecuador	38 Sri Lanka	59 Morocco	80 Congo, Dem. Rep. of the	101 Burkina Faso			
19 Thailand	39 Tunisia	60 Kenya	81 Mauritania	102 Mali			
20 Lebanon	40 Nicaragua	61 Cameroon	82 Côte d'Ivoire				
	41 Indonesia	62 Uganda	83 Malawi				

- The Gender Empowerment Measure (GEM)
 - Calculated by the UN Development Programme (along with the HDI).
 - Focuses on women's opportunities in three areas:
 - Political participation and decision-making power (women's and men's percentage shares of parliamentary [congressional] seats).
 - Economic participation and decision-making power:
 - Women's and men's percentage shares of positions as legislators, senior officials and managers;
 - Women's and men's percentage shares of professional and technical positions.
 - Power over economic resources (women's and men's estimated earned income).
 - Computing the GEM is complicated, but the results make comparisons among countries and regions fairly simple.

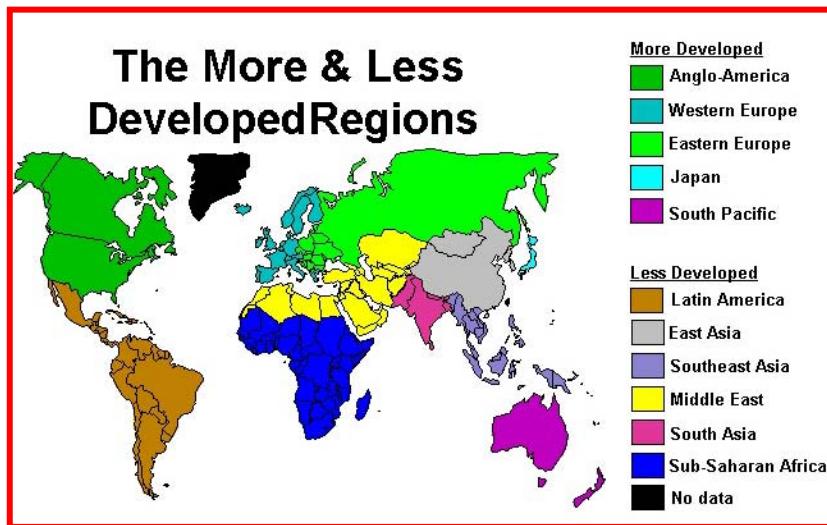
Principles of Cultural Geography

GEM ranks for 80 countries					2005
1 Norway	17 Bahamas	33 Slovakia	49 Botswana	65 Paraguay	
2 Denmark	18 United Kingdom	34 Czech Republic	50 Uruguay	66 Ukraine	
3 Sweden	19 Costa Rica	35 Estonia	51 Malaysia	67 Georgia	
4 Iceland	20 Argentina	36 Greece	52 Colombia	68 Bahrain	
5 Finland	21 Portugal	37 Italy	53 Moldova, Rep. of	69 Mongolia	
6 Belgium	22 Singapore	38 Mexico	54 Swaziland	70 Fiji	
7 Australia	23 Trinidad and Tobago	39 Cyprus	55 Ecuador	71 Pakistan	
8 Netherlands	24 Israel	40 Panama	56 Romania	72 Sri Lanka	
9 Germany	25 Barbados	41 Macedonia, FYR	57 Belize	73 Cambodia	
10 Canada	26 Lithuania	42 Tanzania, U. Rep. of	58 Malta	74 Honduras	
11 Switzerland	27 Poland	43 Japan	59 Korea, Rep. of	75 Iran, Islamic Rep. of	
12 United States	28 Latvia	44 Hungary	60 Russian Federation	76 Turkey	
13 Austria	29 Bulgaria	45 Dominican Republic	61 Chile	77 Egypt	
14 New Zealand	30 Slovenia	46 Philippines	62 El Salvador	78 Saudi Arabia	
15 Spain	31 Namibia	47 Bolivia	63 Thailand	79 Bangladesh	
16 Ireland	32 Croatia	48 Peru	64 Venezuela	80 Yemen	

- The Capability Poverty Measure (CPM)
 - Devised by the UN Development Programme in 1996.
 - Focuses on the lack of basic (or even minimal) resources.
 - Computed using three variables:
 - Percent of births unattended by trained health personnel
 - Percent of underweight children under five
 - Female illiteracy rate
 - Not widely used, but female (or relative) literacy rates are often used to compare countries and regions. [For more information see: <http://www.womenaid.org/press/info/poverty/cpm.html>]
- Women's Status Index (WSI)
 - Devised in the mid-1980s by the UN Development Programme.
 - Used eight different variables:
 - Maternal mortality rate
 - Percent of women using contraceptives
 - Female adult literacy rate
 - Gross primary school female enrollment
 - Gross secondary school female enrollment
 - Female/male wage ratio in agricultural jobs
 - Female/male wage ratio in nonagricultural jobs
 - Female labor force participation
 - Complicated, and since several variables are closely correlated, not used today.
- And there is even the “hedonometer”
 - Proposed as a sort of thought exercise – instead of comparing “material well being,” comparing “happiness.”
 - Uses six variables:
 - Understanding and controlling one's environment
 - Social support from family and friends

- Satisfaction of sex and parental drives
- Physical well-being
- Esthetic and sensory satisfaction
- Satisfaction of exploratory drives (learning)
- An interesting concept – but hard to get data!

For more information: <http://www.msu.edu/course/prr/213/Russell.ch5.doc> ;
<http://www.hf.uib.no/smi/pao/jiyad.html> ;
<http://www.ifad.org> ; www.undp.org/hdr2002/hdi.pdf



The More Developed Countries

- ❖ Anglo-America (the highest regional HDI)
 - Relatively low cultural diversity
 - Enormous natural resources
 - World's leading consumer market
 - Leading producer of entertainment, high-tech
 - Most important food exporter
- ❖ Western Europe
 - “Cultural unity”
 - History of war, competition, empires
 - Recent steps toward unification
 - Major manufacturer, financial center
 - Regional development differences (North-South)
 - Importer of food, energy, raw materials
- ❖ Eastern Europe
 - The “**Undeveloping**” region?
 - Communist legacy
 - Lack of consumer goods, housing
 - Massive economic & political restructuring

- ❖ Japan
 - Few natural resources
 - Highly educated, highly motivated population
 - Government-private partnerships
 - Recent economic stagnation, but still major market & manufacturer
- ❖ South Pacific
 - Australia & New Zealand
 - Small population, low cultural diversity
 - Abundant natural resources
 - Peripheral to world markets, but increasing ties to Asia

The Less Developed Countries

- ❖ Latin America
 - Moderate cultural unity
 - Abundant natural resources
 - Surprisingly urban, educated
 - Income distribution problems
- ❖ East Asia
 - China
 - Communist legacy
 - Massive economic (but not political) restructuring
 - Abundant natural resources
 - Largely agricultural population
 - Rapidly expanding market
- ❖ Southeast Asia
 - Half a century of revolution, war, and civil war
 - Tropical climate
 - Rapidly growing population
 - Largely rural population
 - Uneven regional development
- ❖ Middle East
 - Largely desert & semi-desert
 - Oil - but unevenly distributed
 - Cultural tensions - modernization vs. tradition
 - Warfare, ethnic conflict
- ❖ South Asia
 - India, Pakistan, Sri Lanka, Bangladesh, Nepal, Bhutan
 - Monsoon climate

- Expanding industrial base
- Largely rural, agricultural population
- Large population
- High population growth
- ❖ Sub-Saharan Africa (HDI .46 – the lowest regional HDI)
 - Many areas with abundant resources
 - Colonial legacy
 - War
 - Low population density
 - World's highest rate of natural increase
 - World's highest percentage in poverty
 - World's highest percentage ill, malnourished, illiterate

Development: Why? How?

- ❖ Why develop? Is it just some kind of cultural imperialism?
 - Well it has been, sometimes – but not necessarily.
 - Economic, social and demographic measures indicate that people in MDCs are wealthier, better educated, and better off.
- ❖ How to Develop?
- ❖ Two basic approaches:
 - Self-sufficiency
 - International Trade

The Self-sufficiency Model

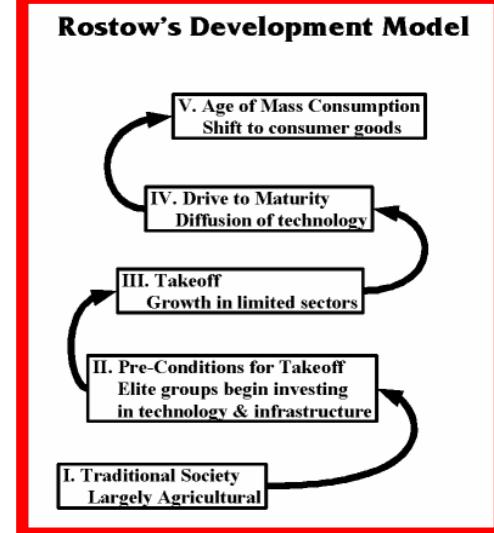
- ❖ Emphasis on balanced growth, spreading investment evenly, in all regions, in all economic sectors.
- ❖ Necessary to insulate domestic industries from outside competitors, through use of:
 - Quotas (limits on numbers of imports)
 - Tariffs (taxes on imports, increasing their costs, and making local goods more attractive to buyers)
 - “Import Substitution” (substituting locally made products for imports)
- ❖ Problems with self-sufficiency:
 - Inefficiency
 - Bureaucracy
- ❖ The self-sufficiency model was popular in Asia and Africa during much of the 20th century, but has been mostly replaced today by the international trade model.

The International Trade Model

- ❖ Each country should invest in its “distinctive or unique” assets.
- ❖ Concentrate on developing distinctive local industries, exports, services.
- ❖ This model has been very successful for some countries.
- ❖ However, there are problems with this approach:
 - Uneven resource distribution.
 - What do you do if the only resources you have are pretty much the same as what your neighbors have?
 - What do you do if you don't have much of anything?
 - “The drive to the bottom”
 - Market stagnation and saturation
 - Sales take place mostly in the MDCs – where population isn't growing, and markets are already tight and highly competitive.
 - Dependence on MDCs

Rostow's Development Model

- ❖ In the 1950s W.W. Rostow proposed a five-stage model of development based on international trade:
 - “The Traditional Society”
 - “Preconditions for Takeoff”
 - “The Takeoff”
 - “The Drive to Maturity”
 - “The Age of Mass Consumption”
- ❖ Some would now add a sixth stage: “Post-Industrial”



Financing Development

- ❖ LDCs cannot afford to fund their own development – it would take too long, and it costs too much.
- ❖ LDCs have to get the money they need from the MDCs in one of two ways:
 - Loans (from banks, individual countries, or from international organizations)
 - Investment by transnational corporations

Loans for Development

- ❖ The two major lenders for development are the World Bank and International Monetary Fund. Private banks and individual countries also make loans to LDCs for investment in projects such as dams, irrigation systems, etc.
- ❖ Total value of all outstanding loans to LDCs: more than two trillion dollars. But not all the loans have turned out well.
 - There have been many expensive failures;
 - Levels of corruption and mismanagement have been appalling.
- ❖ The result: some LDCs are unable to repay their loans – or even the interest on their loans. So what happens?
 - If you can't pay your off you loans, the bank can seize your assets, and you can go bankrupt. Countries don't have either of those options.
 - Banks are forced to restructure loans, and the LDCs find it harder and harder to get money for development.

The Jubilee 2000 Proposal

- ❖ In the late 1990s an organization called Jubilee 2000 came up with an interesting idea:
 - Total outstanding debt: \$2,000,000,000,000
 - Outstanding debt of poorest 41 nations: \$200,000,000,000
 - So the poorest of the poor only owe about 10% of the total – *write it off*.
- ❖ Idea endorsed (in some form) by Pope John Paul II, Archbishop Desmond Tutu, Bono, the G8 Nations at their 1999 meeting, etc.
- ❖ The International Monetary Fund and the World Bank, in association with lending countries and agencies, have begun to cancel some or all of the debt for about 30 “Highly Indebted Poor Countries” (HIPC):

Benin	Guinea	Niger
Bolivia	Guinea-Bissau	Rwanda
Burkina Faso	Guyana	Sao Tome &
Burundi	Honduras	Principe
Cameroon	Kenya	Senegal
Chad	Madagascar	Sierra Leone
Congo	Malawi	St. Lucia
Congo Republic	Mali	Tanzania
Cote d'Ivoire	Mauritania	Uganda
Ethiopia	Mozambique	Yemen
The Gambia	Nicaragua	Zambia
Ghana		

For more information, see: <http://www.imf.org/external/np/exr/facts/hipc.htm>

Transnational Corporations

- ❖ Transnational (or “multinational”) corporations are major private organizations that operate in many countries.
- ❖ Some transnational corporations today are larger economically than many (even most) nations.
- ❖ LDCs that seek investment from transnationals have several issues to deal with:
 - Creating attractive infrastructure (roads, harbors, power, etc.)
 - Competition with other LDCs – “The Race to the Bottom”
 - Problems of regulation (laws vary from country to country, etc.)
 - Keeping the company happy – making the job, environmental, tax and other laws as attractive as possible.
- ❖ Remember – a transnational corporation's primary loyalty must be to its stockholders, not to whatever countries it happens to be operating in at the moment.

Development – “High-Level” and “Low-Level”

- ❖ At the highest level, less developed countries have one problem that is almost impossible for them to overcome – ¾ of all foreign investment flows between more developed countries. In terms of the world’s economy, most of the less developed world is basically “peripheral.”
- ❖ At the lowest level, one of the most interesting developments has been the development of “micro-credit” banks – institutions that engage in “micro-credit” lending – lending tiny amounts of money (typically a few hundred dollars) to individuals (often women) in poor countries to start “micro-businesses.”
- ❖ The first micro-credit lender was the Grameen Bank in Bangladesh. Today similar institutions exist in 34 countries. For more information see:
 - <http://www.grameen-info.org/>
 - <http://www.gfusa.org/>