Chapter 9: Development
Key Issues: 1 & 2

Visual Aid

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Look for these key terms in blue.

- Development
- LDC
- MDC
- HDI
- GDP
- Primary Sector
- Secondary Sector
- Tertiary Sector
- Productivity
- Value Added
- Literacy Rate
What is HDI?

The Human Development Index is based off of three factors in a country’s development and determines how much a country is developed. The three factors are: Economic, Social, and Demographic.
What is Development?

It is the process of improving the material conditions of people through diffusion of knowledge and technology.

WHAT?!?

Let's look at that one more time.
Look at this!

Notice that the countries which are MDCs are more developed while the LDCs are less developed. Who would have guessed?
1st Economic Indicator: GDP

Gross Domestic Product is the value of the total output of goods and services produced in a county, typically in a year.
How this Economic indicator relates to development...
• The GDP of a country divided by the population (GDP/Population) = the contribution the average individual makes to generating a country’s wealth in a year.
• GNP - gross national product. Basically is the same as GDP except that it includes income that people earn abroad
Second Economic Indicator: Types of Jobs

Three types of jobs and the amount of those jobs indicate how well developed a country is.

**Primary Sector** - jobs that extract raw materials from the earth. ex. farming, mining, fishing, and forestry.

**Secondary Sector** - jobs that include manufacturers that process, transform, and assemble raw goods into useful products and then fabricate them into finished consumer goods.

**Tertiary Sector** - basically salespeople; it involves the provision of goods and services in exchange for payment. ex. retailing, banking, law, education, and government.
How this Economic indicator relates to development...

MDCs:
1st-Tertiary
2nd-Secondary
3rd-Primary

LDCs:
1st-Primary
2nd-Secondary
3rd-Tertiary
Productivity - the amount of money a product is worth compared to the amount of labor needed. ex. MDCs have higher productivity - WHY? LDCs have lower productivity - WHY?

Productivity can be measured by... **Value Added**, which is the gross (total) value of a product minus the costs of raw materials and energy.

MDCs have higher value added - WHY? and WHY? do they have more access to machines?
4th Economic Indicator: Raw Materials

The availability of raw materials and energy sources does not necessarily measure a country’s development but rather its potential for development.

Oil in LDCs! Copper and cotton in LDCs…

Forests in Sub-Saharan Africa?!? WE NEED TREES!
5th and Final Economic Indicator: Consumer Goods

The quantity and type of consumer goods and services purchased in a society is a good measure of the development level. Specifically, there are three main indicators of a country’s development: motor vehicles, telephones, and televisions—WHY?
Understand?
2nd Indicator: Social

MDCs can provide education and welfare services to its people. This in turn makes the society stronger and leads to more economic productivity.
Education and Literacy

- **Literacy Rate** - % of people who can read and write in a country - WHY?
- **Student-Teacher Ratio** - smaller classes in MDCs = more attention to pupils = better chance of learning something - WHY?
Student-Teacher Ratio
Health and Welfare

- Health Care, Public Assistance, and Caloric Consumption - WHY?!? does this indicate development?
3rd Indicator: Demographic

Anything look familiar?
Everything we’ve heard of before...

- Life Expectancy- WHY? Long Life=MDC
- Infant Mortality Rate- WHY? More deaths=LDC
- NIR- WHY? Strains a country’s ability to provide services and goods if too high (LDCs)
- CBR- Women have more babies in LDCs- WHY?
KEY ISSUE 2

Where Are More And Less Developed Countries Distributed?
North-South Split = 30 degrees North Latitude

Explain!
The 5 More Developed Regions

- Anglo-America - HDI=0.94
- South Pacific - HDI=0.93
- Japan - HDI=0.93
- Western Europe - HDI=0.92
- Eastern Europe - HDI=0.78
The 6 Less Developed Regions

- Latin America - HDI=0.78
- East Asia - HDI=0.72
- Southeast Asia - HDI=0.71
- Middle East - HDI=0.66
- South Asia - HDI=0.58
- Sub-Saharan Africa - HDI=0.47
Gender-Related Development Index

GDI compares the level of development of women with that of both sexes.
About GDI

Gender-Related Development Index

- GDI takes the HDI (Human Development Index) into consideration.
- No country has attained a 1.0, which is considered a perfect GDI.
- Most MDCs have high a GDI. Norway is the highest with a GDI of 0.941.
Economic Indicators of Gender Differences

- GDIs take in consideration the income of women compared to average male income. It is a fact that the average income for women is lower than men in LDCs and MDCs.
- The income gap typical for MDCs is $15,000 annually.
Social Indicators of Gender Differences

- Two key social indicators are education and literacy.
- Women are less likely to attend school in LDCs.
- The ratio of women to men in high school is 99/100 in MDCs, but only 60/100 in LDCs.
- Literacy is universal in MDCs, but in LDCs such as the Middle East and Sub-Saharan Africa, the rates for women are considerably low. Due to this lack of education, women cannot make an impact on the economy of LDCs.
Demographic Indicators of Gender Differences

- In MDCs a female baby is expected to live 6 years longer than a male baby. In LDCs it is only 1 - 2 years.
- Women have lower life expectancies in LDCs due to the hazards of childbearing because in poorer countries they bear more children and have poorer medical conditions.
Gender Empowerment Measure

GEM compares the ability of women and men to participate in economic and political decision making.
Gender Empowerment

• GEM measures the ability for women to take on power.
• In MDCs and LDCs, fewer women than men hold political offices and have economic power.
• Economic Power - Income and professional jobs.
• Political Power - Managerial and elected jobs.
• MDCs naturally have higher GEMs than LDCs.
Economic Indicators of Empowerment

- The highest percentages of women in professional and economic positions is in northern Europe.
Political Indicators of Empowerment

• Women hold 10% of managerial jobs in MDCs, but only 5% in LDCs.
• Every country has a lower GEM than GDI.
Elements of Self-Sufficiency Approach

- Countries promote self-sufficiency by using the following three barriers:
  - High taxes on imported goods.
  - Affixed quotas to limit the possibility of imported goods.
  - Requirement of license to restrict the number of legal importers.
Problems with Self-Sufficiency

- **Inefficiency** - Self-sufficiency protects inefficient industries. The government controls prices and gives incentives to improve quality, production and prices.

- **Large Bureaucracy** - These are needed to administer controls. Potential entrepreneurs found that producing goods is less rewarding financially than consulting others how to produce these goods. Other entrepreneurs found more income was in illegally importing and selling goods at inflated prices.
Development Through International Trade

- Some countries have natural resources that are attractive to other countries.
- Some countries are successful because they can produce high quality products for lower costs (China, India, etc.).
- The sale of products that are attractive to other countries helps countries (especially LDCs) finance other areas of development.
Examples of the International Trade Approach

- **Petroleum-Rich Persian Gulf** – Countries such as Saudi Arabia, Kuwait, Bahrain, Oman, United Arab Emirates; these countries use revenue from oil sale to develop houses, highways, universities, etc. Vehicles, television sets and audio equipment and imported food are slowly creeping into society.

- **The Four Asian Dragons** - Countries like South Korea, Singapore, Taiwan, Hong Kong. These countries are known for manufacturing goods like clothing, an influence of Japan. They’re also called the “Four Little Tigers” or “The Gang of Four.”
Problems with International Trade

1) Uneven Resource Distribution - Not all countries have all resources.

2) Market Stagnation - Countries that depend on low-cost goods have the obligation to compete for sales with established opposition.

3) Increased Dependence on MDCs - LDCs may be forced to cut back on production for their own people when time, money and labor is consumed in catering to MDCs. Economy, here, becomes more important than the wellbeing of residents.
Rostow’s Development Model

- W.W. Rostow produced a five-stage model of development in the 1950s that several countries later adopted, which is much like the demographic transition model. The stages are as follows:
1) Traditional Society
A country that has not yet started process of development has a high percentage of people engaged with agriculture and a high percentage of national wealth in “nonproductive” areas such as military and religious pursuits.
2) Preconditions for Takeoff

In the international trade model, development begins with smaller groups that initiate new technologies, and put in action the infrastructure of the society (water supply, transportation, etc.).
3) Takeoff

Rapid growth is limited in certain economic endeavors such as in textile production and food products. In this period, however, technology advances and productivity rises considerably. All other sectors of economy remain traditional.
4) The Drive to Maturity

Modern technology diffuses to a variety of industries within the country. Workers, in this stage, become more skilled and specialize in certain areas.
5) The Age of Mass Consumption

In this stage, the economy shifts from one with much overhead (as in the Middle East with the burden of oil – energy production) to consumer goods such as vehicles and appliances.
Other Facts on Rostow’s Theory

- Each country is in a stage from 1 – 5.
- MDCs are all in higher stages and all have passed stage 1.
Stages of US Development

- Stage 1 – Before independence.
- Stage 2 – Early-1800s.
- Stage 3 – Mid-1800s.
- Stage 4 – Late-1800s.
- Stage 5 – Early-1900s to present.
World Trade Organization

• 97% of the world is a member of the WTO.
• The organization promotes international trade by assisting countries to negotiate ways to cease or lessen trade barriers such as tariffs, subsidies, etc. They also enforce agreements made between countries. Almost like a court, one country is allowed to accuse another, and the WTO settles the dispute.
• The WTO has been criticized by both sides of politics: liberals tend to think that the WTO is undemocratic, while conservatives believe that the WTO endangers the power of its members.
Financing Development

LDC’s lack the money needed to finance development so they generally have to obtain funds from more developed countries.
What is this money used for?

The money is used to build new infrastructures such as hydro electric dams, electric transmission lines, flood protection systems, water supplies, roads, and hotels.
Who lends the money?

MDC governments control international lending organizations such as the World Bank and the International Monetary Funds (two major lenders). Together they lend about $50 billion a year for development for the LDCs.
Theory: new roads and dams will make conditions more favorable for domestic or foreign businesses to open or expand.
Is there a problem?

Problem: many new infrastructure projects are expensive failures.
Ex: In Mali, a French-sponsored project to pump water from the Niger River using solar energy worked for only a month. Even when it worked, the project, which cost more than $1 million, produced no more than could two diesel pumps that together cost $6,000.
Half of the projects, that have been funded by the World Bank to Africa, have been judged as failures.
Transnational Corporations

A transnational corporation operates in countries other than the one in which its headquarters are located.

- Initially U.S- owned until recent transnational corporations have been based in other MDCs (Japan, Germany, France, and the United Kingdom)
Chapter 11 industry
Key Issue 1
Situation Factors

- Situation Factors - involve transporting materials to and from a factory
- (A firm seeks a location that minimizes the cost of transporting inputs to the factory and finished goods to the consumers)
Examples

• **Bulk-reducing industry:** an economic activity in which the final product weights less than its inputs

• Ex: copper Industry—copper is mined, then concentrated near mining places
• Bulk-gaining Industry = makes something that gains volume or weight during production
• Ex: Soft-Drink Bottling = empty cans are sent to bottler, filled with soft-drink, then sent to the consumer- so soft-drink bottling companies build areas near consumers because it's cheaper
• Ex: Single-Market Manufactures
• Ex: Perishable Products
- **Transportation:**
- Trucks - short distance because it cheap to load and unload
- Train - long distances - cheaper to travel
- Ship - even cheaper to travel long distances
- Air - fastest mode of transportation but most expensive
- Some have to change transportation modes and look for **break-of bulk point** - location where transfer among transportation modes is possible
Site factors

• Cost of conducting business that varies among three locations and depends on 3 production factors:
  » Land
  » Labor
  » Capital
Land

• Factories are more likely to be located on suburban or rural land rather than near center cities.
• That land is much cheaper for retail
• Industries are more attracted to certain parcels of land with accessible energy resources.
  – Coalfields
  – Electricity
Labor

• Labor-intensive industries
  – One in which labor costs is a high percentage of expense
  – Ex: textile clothing industries
  – Clothing once was made by MDCs but now is made of LDCs
  – US textile and clothing moved to places where they can find low cost employees
Skilled labor industries

- Some firms are requiring workers to perform highly skilled tasks.
- Ex: people manufacturing electronics
- Many industries are located with relative skilled labor to introduce new work rules.
Fordist

• Fordist production- a form of mass production in which each worker is assigned one specific task to perform repeatedly.

• Post- fordist Production- Adoption by companies of flexible work rules such as the location of workers to teams that perform a variety of tasks
Capital

• The ability to borrow money (Especially in LDC’s)

• Financial Industries, and many LDC’s are short of funds so they must seek loans from banks in MDC’s
“Footloose”

• They can locate in a wide variety of places
• They can be located in many places without change in their cost of transportation, land, labor, and capitol.
• Ex: Communicate through computers
Origin of Services

- **Early Personal Services** – religious, honored the dead

- **Early Public Services** – soldiers for protection, walls for defense

- **Early Retail and Producer Services** – based on food/agriculture
Types of Services

- Consumer
- Business
- Public
Types of Consumer Services

- **Retail** – Provides the goods for consumers.

- **Personal** – For the well-being of individual people.
Services: Key Issues I-II

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Types of Business Services

- **Producer** – Services that help people run other businesses

- **Transportation and Similar Services** – Diffuse and distribute other services.
Public Services

– Public Services provide security and protection among others.
Dispersed Rural Settlements

- More common

- Started with the **Enclosure Movement**, where many small farms were turned into fewer large farms in England in the late
Central Place Theory
• Central Place
• Market Areas
• Range
• Threshold
Key Issue 3 and 4

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Hierarchy of Business Services

- **World Cities** - top of the four level hierarchy, center of flow of info.
  - London, New York, and Tokyo which are the largest cities & are in the three most developed regions in the world

- **2nd tier of World Cities** - Paris, Zurich, Los Angeles, Washington, 2 are in LDC’s

- **3rd** - 4 in North America, 7 in Asia, 5 in Western Europe, 4 in Latin America, 1 in Africa and 1 in the south Pacific
Other Levels of the Hierarchy

• 2nd level Command and Control Centers - large corporations and banking facilities
  – Regional and Subregional

• 3rd Specialized Producer-Service Centers - management, and Research and development related to specific industries. Center of government and education

• 4th Dependant Centers - four subtypes: resort retirement and residential; manufacturing centers; industrial and military centers; mining and industrial centers.
Basic and Non-basic Industries

• Basic- consumers outside settlement
• Nonbasic- inside settlement
• Economic base- communities collection of basic industries
Central Business District

- Central Business District is also known as the CBD
- The Central Business District is located in the center of the city, and is usually the oldest part of the city.
- Most consumers are drawn to CBD’s because the center of the city is usually the focal point of the cities transportation so it is usually easy to get to
Retail Services in the CBD

• Three Kinds:
  – Retail services with a high threshold.
  – Retail services with a high range.
  – Retail services serving downtown workers.
Retail Services with a high Threshold

- Retail services with a high threshold are usually found in the CBD.
- Rents in this area are usually the highest because of its good accessibility.
- An example of this would be a department store.
Sub. Of Retailing

- People don’t want to travel to CBD’s, so CBD’s build stores in suburban areas
- Malls take up as much as 100 acres of land for retail
- Corner shops have been replaced with supermarkets
Sub. Of Factories and Offices

- Factories and warehouses have also migrated to suburban areas
- Warehouse conveyer belts, forklifts, loading docks, and machinery are spread over a single level
The End!!!

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