Unit 6: Development and Industrialization

Day 1: What is development?

What is Development?

The process of improving the material conditions of people through the diffusion of knowledge and technology

More developed countries (MDCs)

AKA *developed countries*

Lesser developed countries (LDCs)

AKA *emerging* or *developing countries*

What are the goals of development?

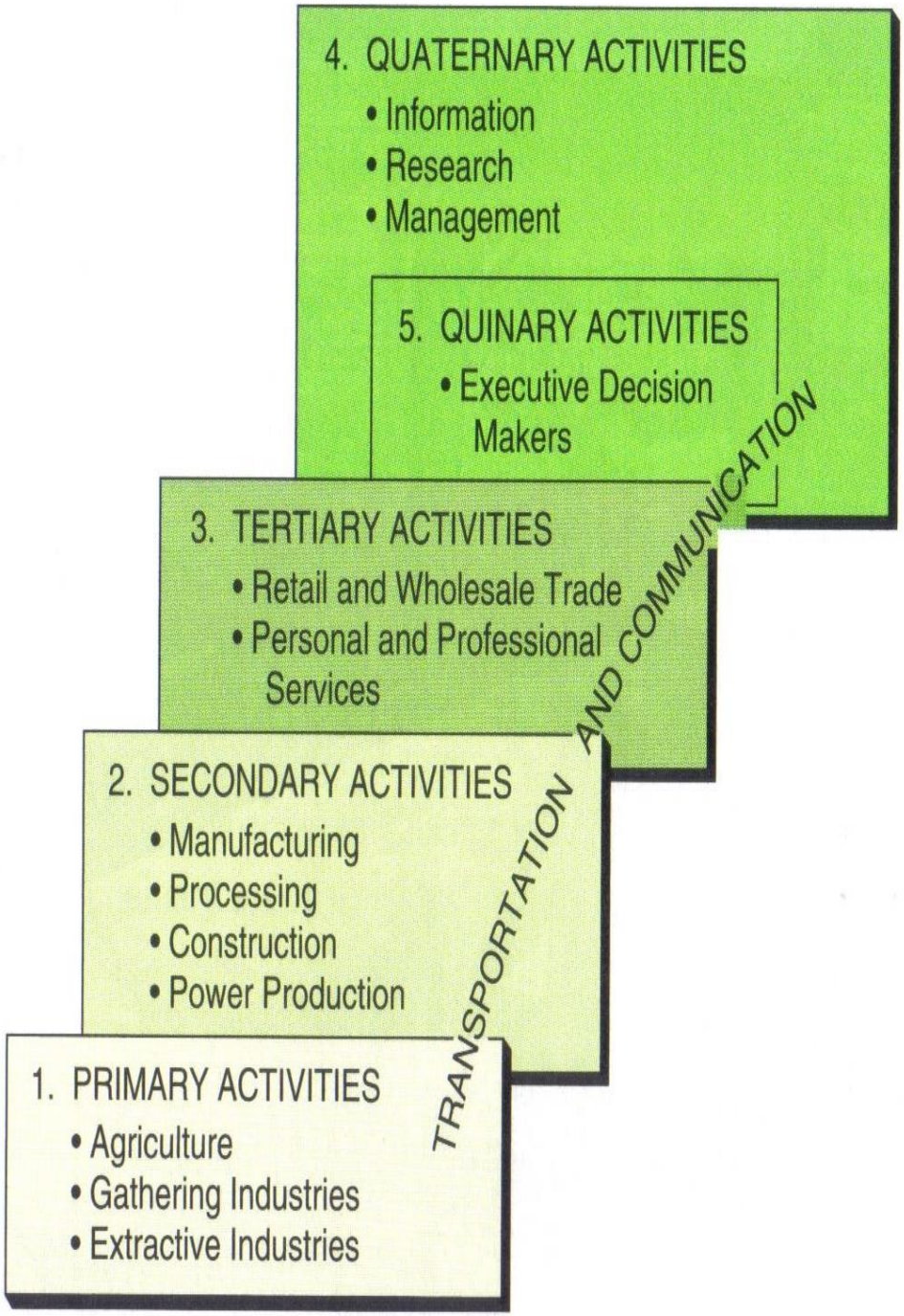
Millennium Development Goals for 2015ish

1. End extreme poverty and hunger
2. Universal primary education
3. Promote gender equality
4. Reduce child mortality
5. Improve maternal health
6. Combat major diseases
7. Environmental sustainability
8. Develop a global partnership for development

- Economic indicators of development

Economic activities:

- Primary sector
- Secondary sector
- Tertiary sector: Quaternary, Quinary



How is development measured?

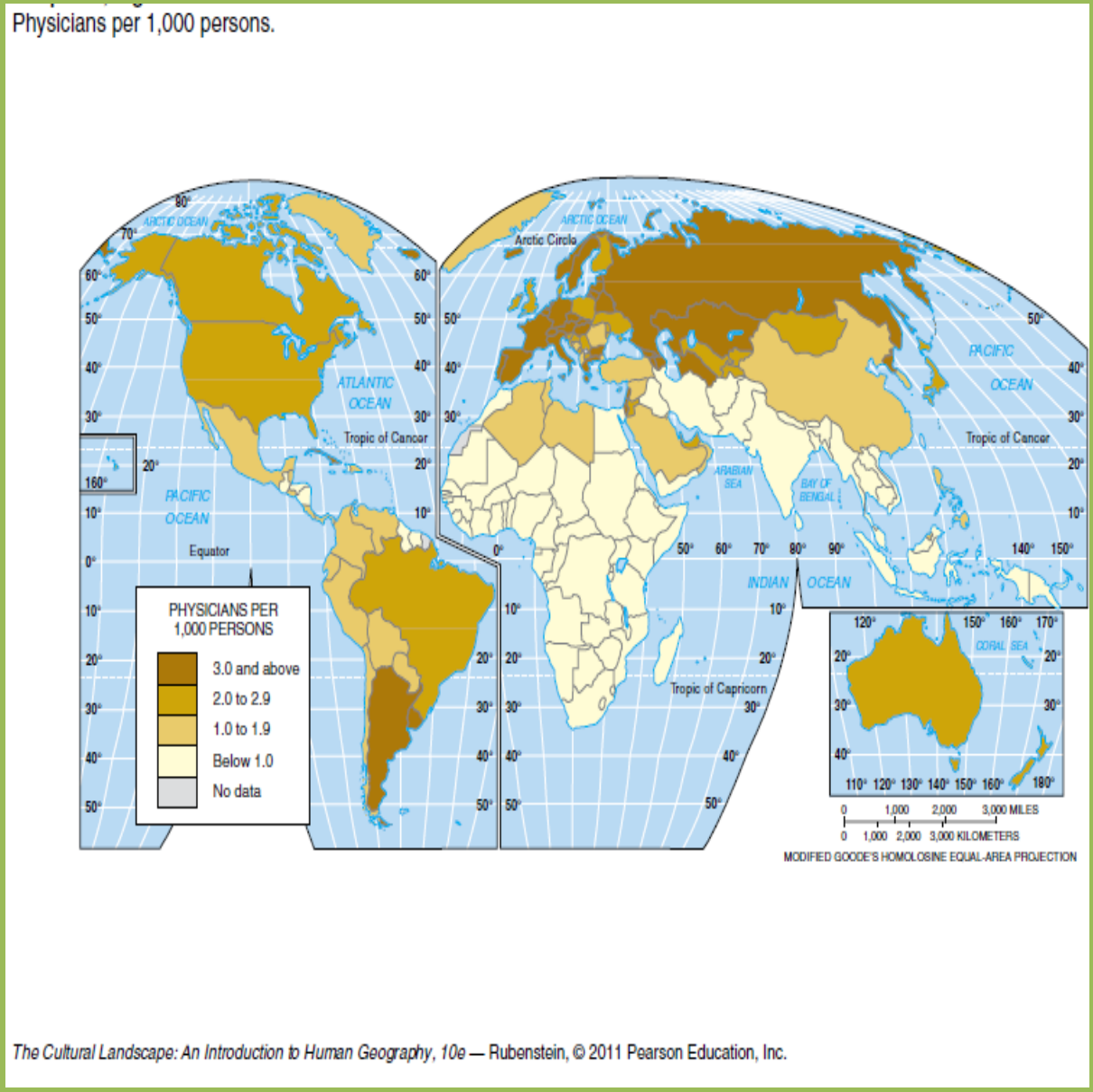
HUMAN DEVELOPMENT INDEX

- Economic Indicators
  - Gross Domestic Product (GDP)
  - Types of Work (Economic Sectors)
- Social Indicators
  - Education and Literacy
  - Health and Welfare
- Demographic Indicators
  - Life Expectancy (37 - 80 years)
  - Infant Mortality (<10 - >100 per thousand)
  - Natural Increase (0 - 4.7 %)

***HDI- measurement of a country's development*
Economic
Social
Demographic

How is development measured?

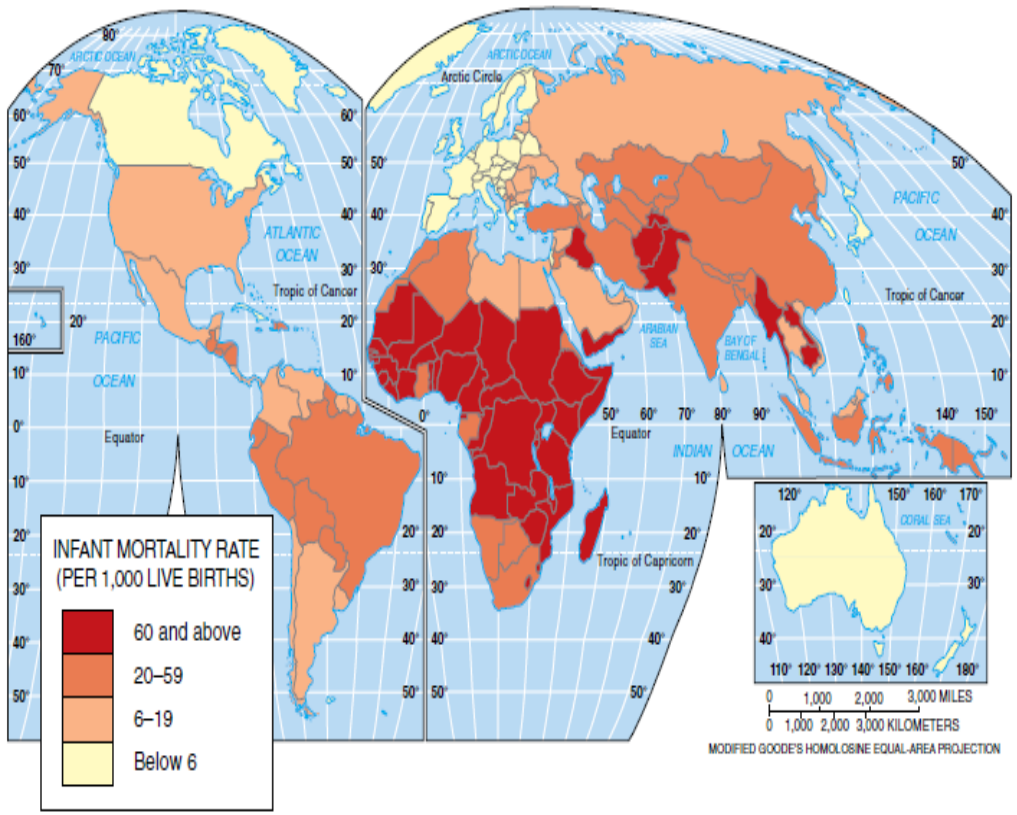
- Social indicators of development
  - Education and literacy
    - The literacy rate
  - Health and welfare
    - Diet (adequate calories)
    - Access to health care



How is development measured?

- Demographic indicators of development
  - Life expectancy
    - Babies born today in MDCs have a life expectancy in the 70s; babies born in LDCs, in the 60s
  - Other demographic indicators:
    - Infant mortality
    - Natural increase
    - Crude birth rate

Infant mortality rate (IMR).



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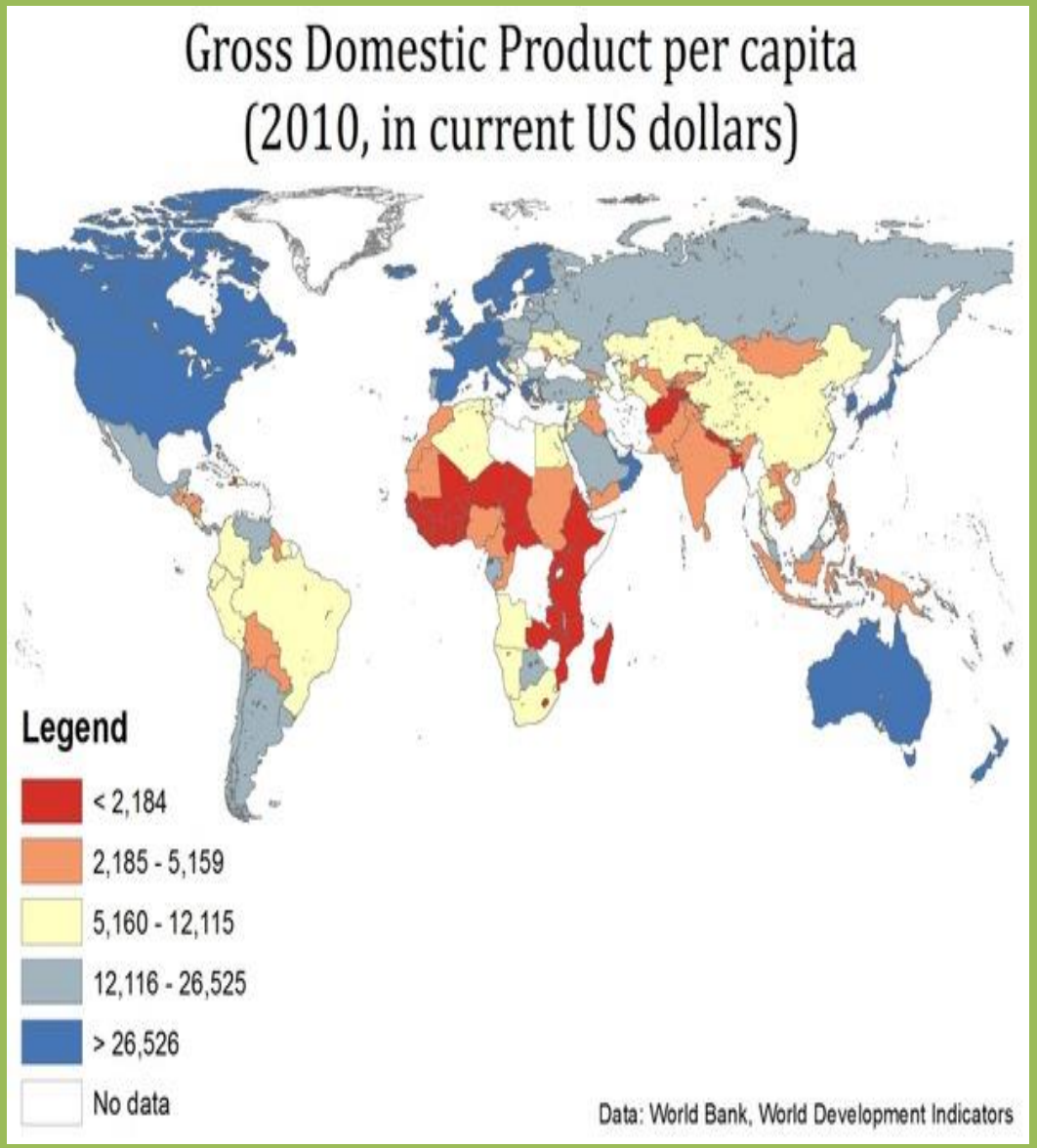
How is development measured?

Economic:

Per Capita Income: Per person income

Gross National Product: Total production of goods and services by a country within a period of a year

Gross Domestic Product: Total production of goods and services within a country during a period of a year



Other measurements for development

- Net National Product (NNP)
- Purchasing Power Parity (PPP)
- Physical Quality of Life Index (PQLI)

Human Development Index: HDI

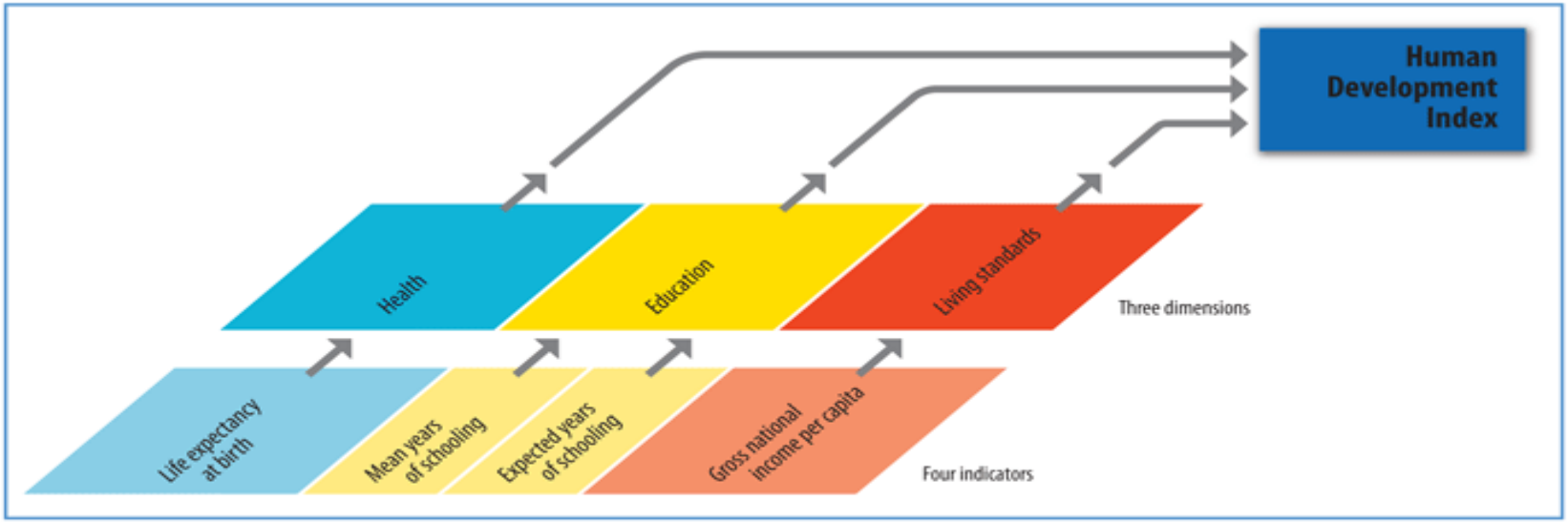
http://hdr.undp.org/en/statistics/hdi/

The Human Development Index (HDI)

The first Human Development Report introduced a new way of measuring development by combining indicators of life expectancy, educational attainment and income into a composite human development index, the HDI. The breakthrough for the HDI was the creation of a single statistic which was to serve as a frame of reference for both social and economic development. The HDI sets a minimum and a maximum for each dimension, called goalposts, and then shows where each country stands in relation to these goalposts, expressed as a value between 0 and 1.

FIGURE 1.1 Components of the Human Development Index

The HDI—three dimensions and four indicators



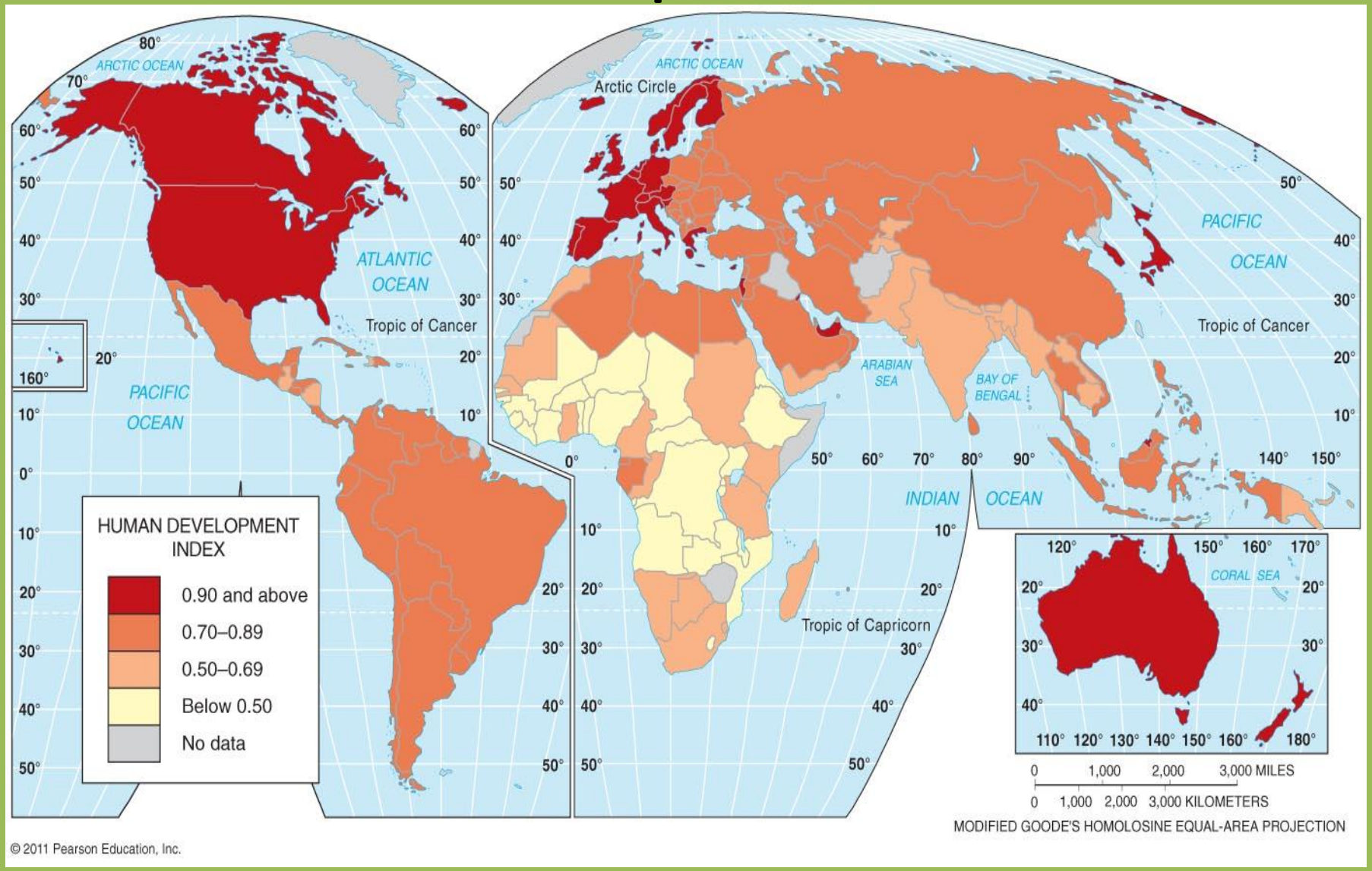
Note: The indicators presented in this figure follow the new methodology, as defined in box 1.2.

Source: HDRO.

Demographic Signs of Development

- Developing Countries
  - high birth rates (5%)
  - high natural increase (4.6%)
  - high infant mortality (150+)
  - high fertility (7.4)
  - high pop under 15 (50%)
  - low pop over 65 (1%)
  - low doubling time (15 yrs.)
  - short life expectancy (43 yrs.)
- Developed Countries
  - low birth rates (1%)
  - low natural increase (0)
  - low infant mortality (.4%)
  - low fertility (1.1)
  - low pop under 15 (15%)
  - high pop over 65 (18%)
  - high doubling time (4077 yrs)
  - long life expectancy (80yrs)

Human Development Index HDI



		Human Development Index (HDI)	Life expectancy at birth	Expected years of schooling	Mean years of schooling	Gross national income (GNI) per capita	GNI per capita rank minus HDI rank
HDI rank	Country	Value	(years)	(years)	(years)	(2011 PPP $)	
		2014	2014	2014[a]	2014[a]	2014	2014
1	Norway	0.944	81.6	17.5	12.6[b]	64,992	5
2	Australia	0.935	82.4	20.2[c]	13.0	42,261	17
3	Switzerland	0.930	83.0	15.8	12.8	56,431	6
4	Denmark	0.923	80.2	18.7[c]	12.7	44,025	11
5	Netherlands	0.922	81.6	17.9	11.9	45,435	9
6	Germany	0.916	80.9	16.5	13.1[d]	43,919	11
6	Ireland	0.916	80.9	18.6[c]	12.2[e]	39,568	16
8	United States	0.915	79.1	16.5	12.9	52,947	3
9	Canada	0.913	82.0	15.9	13.0	42,155	11
9	New Zealand	0.913	81.8	19.2[c]	12.5[b]	32,689	23
11	Singapore	0.912	83.0	15.4[f]	10.6[e]	76,628[g]	-7
12	Hong Kong, China (SAR)	0.910	84.0	15.6	11.2	53,959	-2
13	Liechtenstein	0.908	80.0[h]	15.0	11.8[i]	79,851[g,j]	-10
14	Sweden	0.907	82.2	15.8	12.1	45,636	-1
14	United Kingdom	0.907	80.7	16.2	13.1[d]	39,267	9
16	Iceland	0.899	82.6	19.0[c]	10.6[e]	35,182	12
17	Korea (Republic of)	0.898	81.9	16.9	11.9[e]	33,890	13
18	Israel	0.894	82.4	16.0	12.5	30,676	16
19	Luxembourg	0.892	81.7	13.9	11.7	58,711	-11

HDI only includes income from the formal market.
Reported to the government, pay taxes.

Formal Market: Ecuador

Informal Market: Ecuador

What does development look like in other parts of the world?

The Lights of Life

Hans Rosling and the Magic Washing Machine

How do Countries Develop?

Help from international Organizations

- United Nations
- World Bank
- International Monetary Fund (IMF)
- Non-governmental Organizations (NGOs)

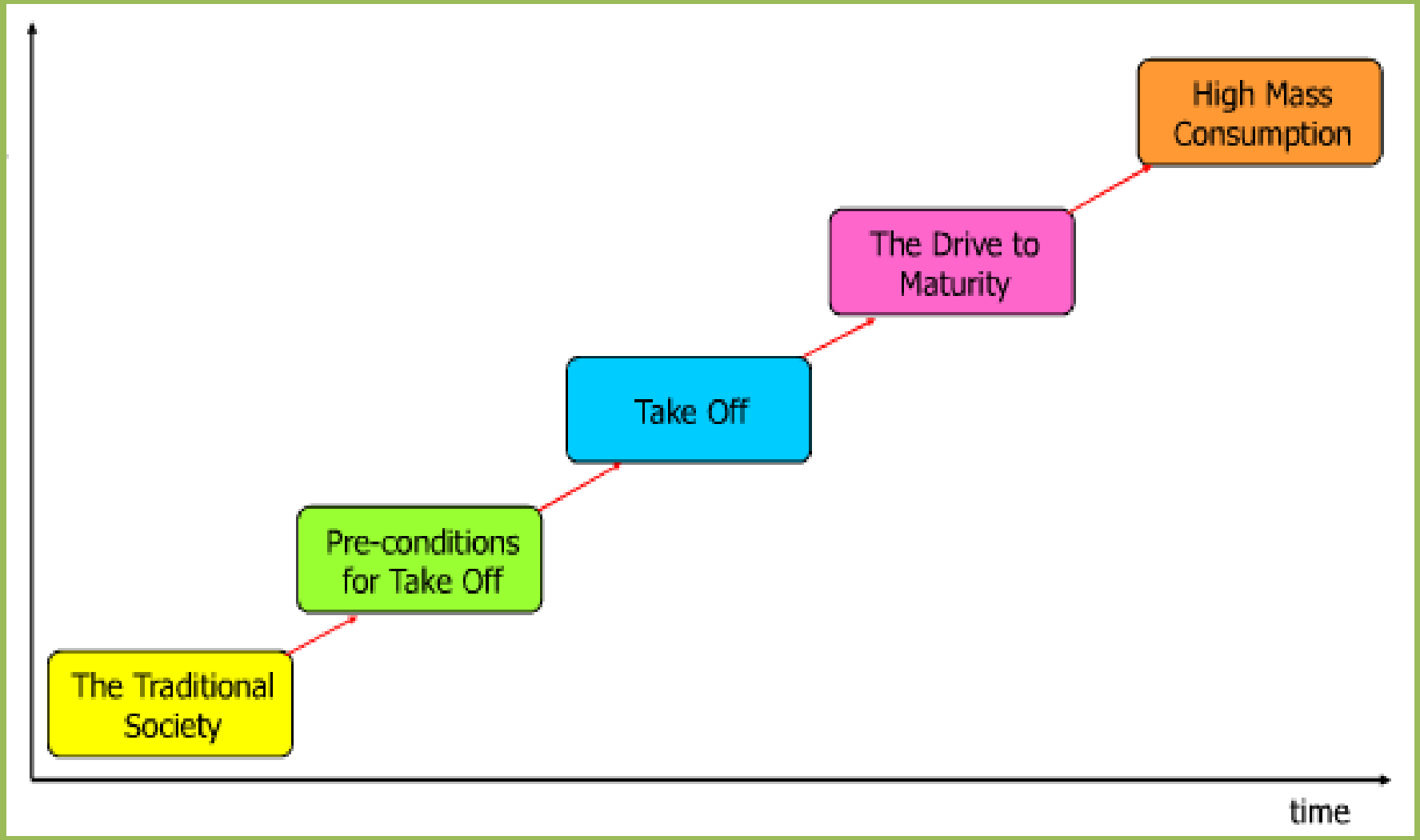
Models of Development

- Self Sufficiency Model
- International Trade Model

  Rostow's Model
- Foreign Direct Investment

Models of Development

Rostow: International Trade Approach



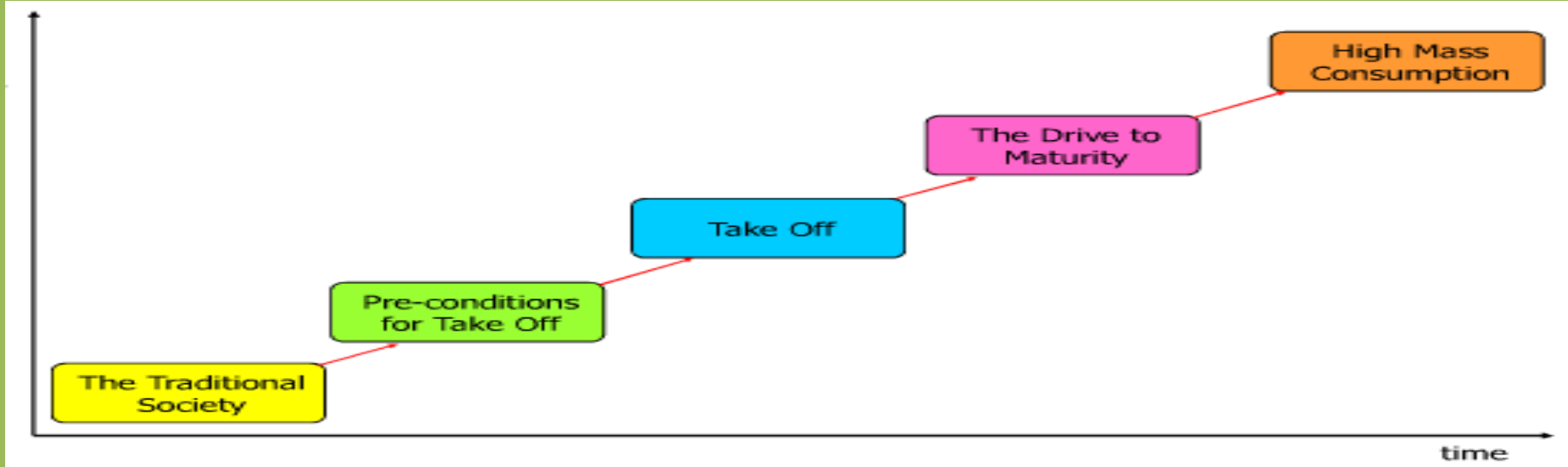
The Traditional Society

A subsistence economy based on farming.

Output is consumed by producers rather than traded. Trade is by barter where goods are exchanged or 'swapped'.

Agriculture is the most important industry and production is labour intensive, using only limited quantities of capital.

There is very limited technology or capital to process raw materials or develop industries and services.



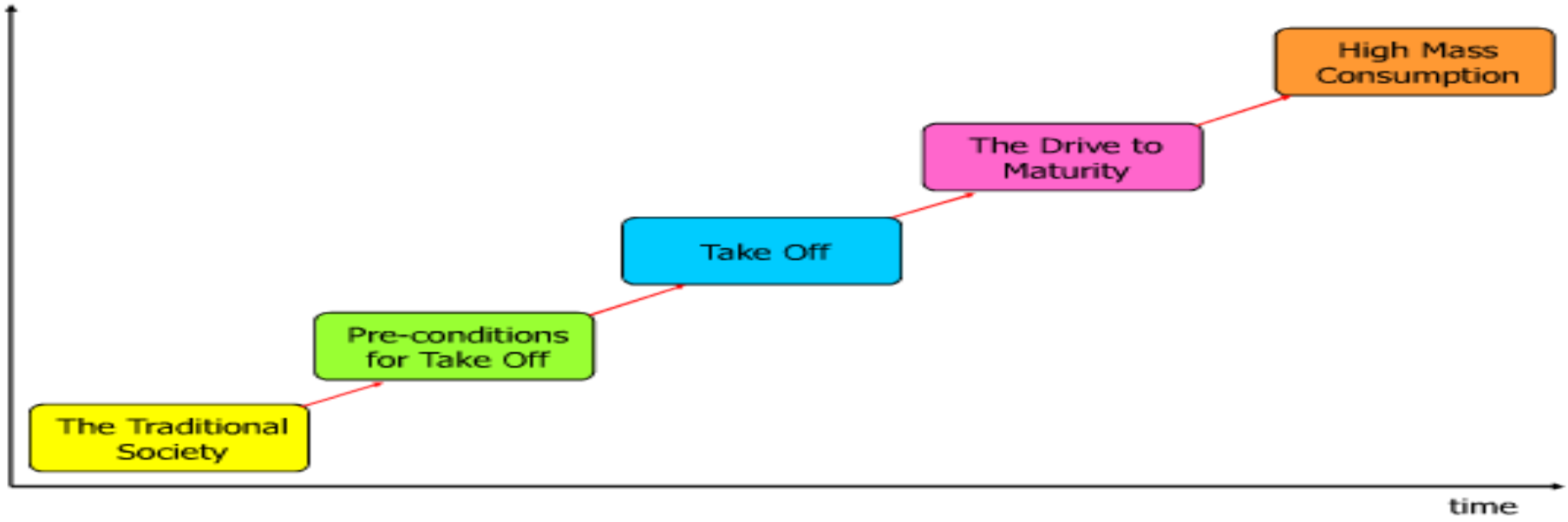
Pre-conditions for Take Off

Surpluses for trading emerge supported by an emerging transport infrastructure.

Agriculture becomes more commercialized and mechanized with technological improvements.

Levels of capital grow. Savings and investment grow. Entrepreneurs emerge.

A single industry begins to dominate – often textiles.



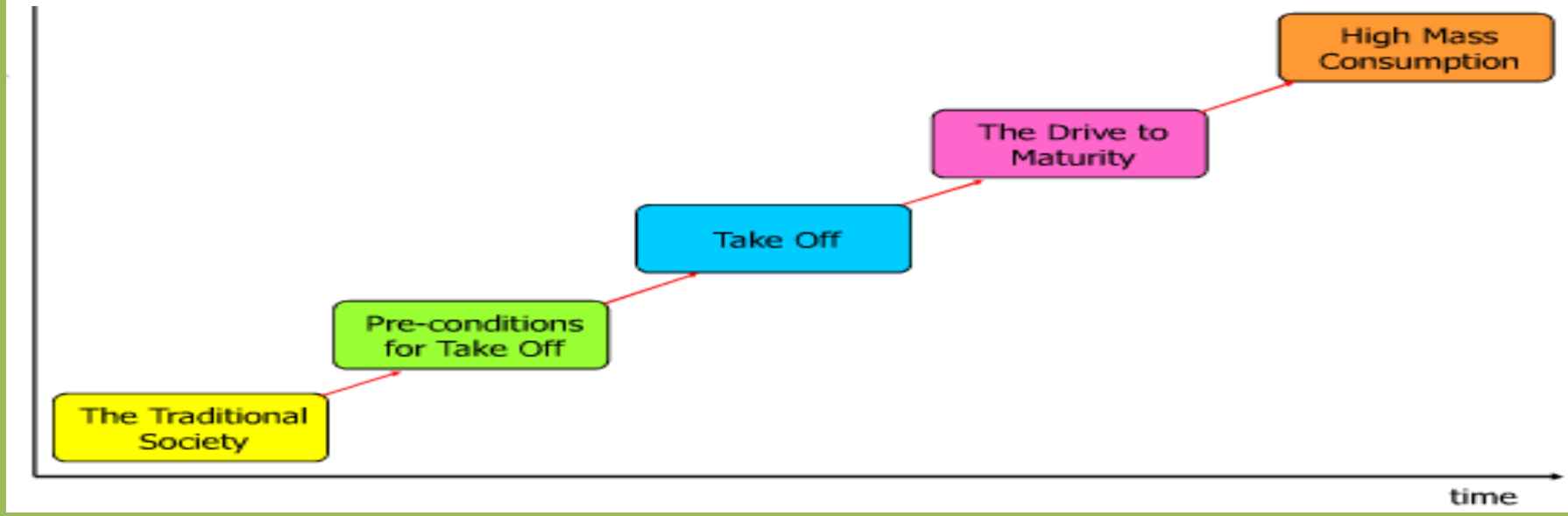
Take Off

Industrialization increases, with workers switching from the land to manufacturing. This may cause large scale rural-urban migration.

Growth is concentrated in a few regions of the country and in one or two industries.

New political and social institutions are evolve to support industrialization.

Airports, roads and railways are built.



The Drive to Maturity

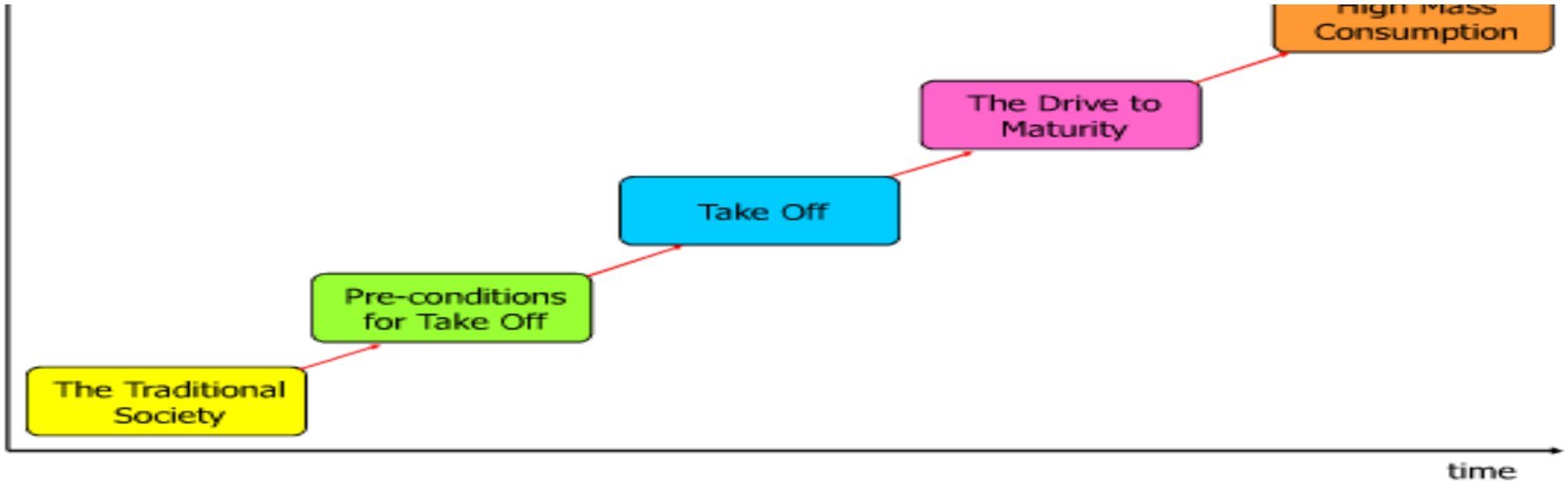
Growth is now diverse supported by technological innovation. It should be self sustaining.

Economic development spreads to all parts.

A more complex transport system develops.

Increase in number and types of industry.

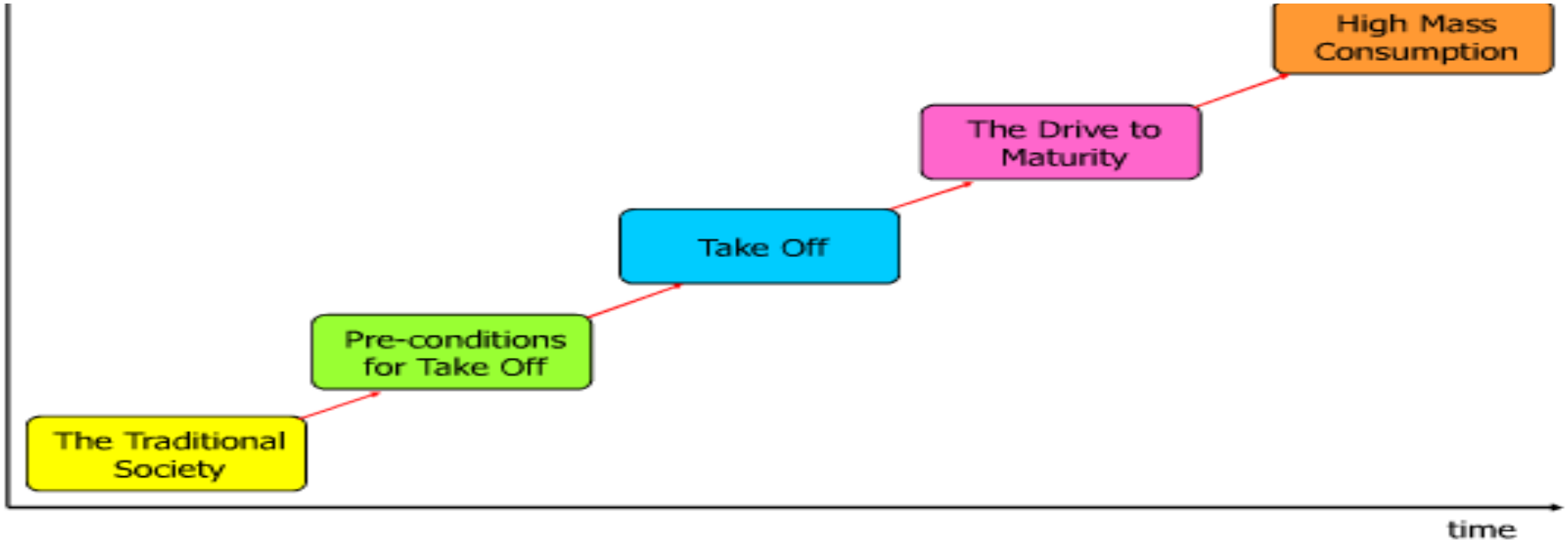
Manufacturing expands as early industries decline.



High Mass Consumption

Rapid expansion of tertiary industry.

Industry shifts to production of durable consumer goods.



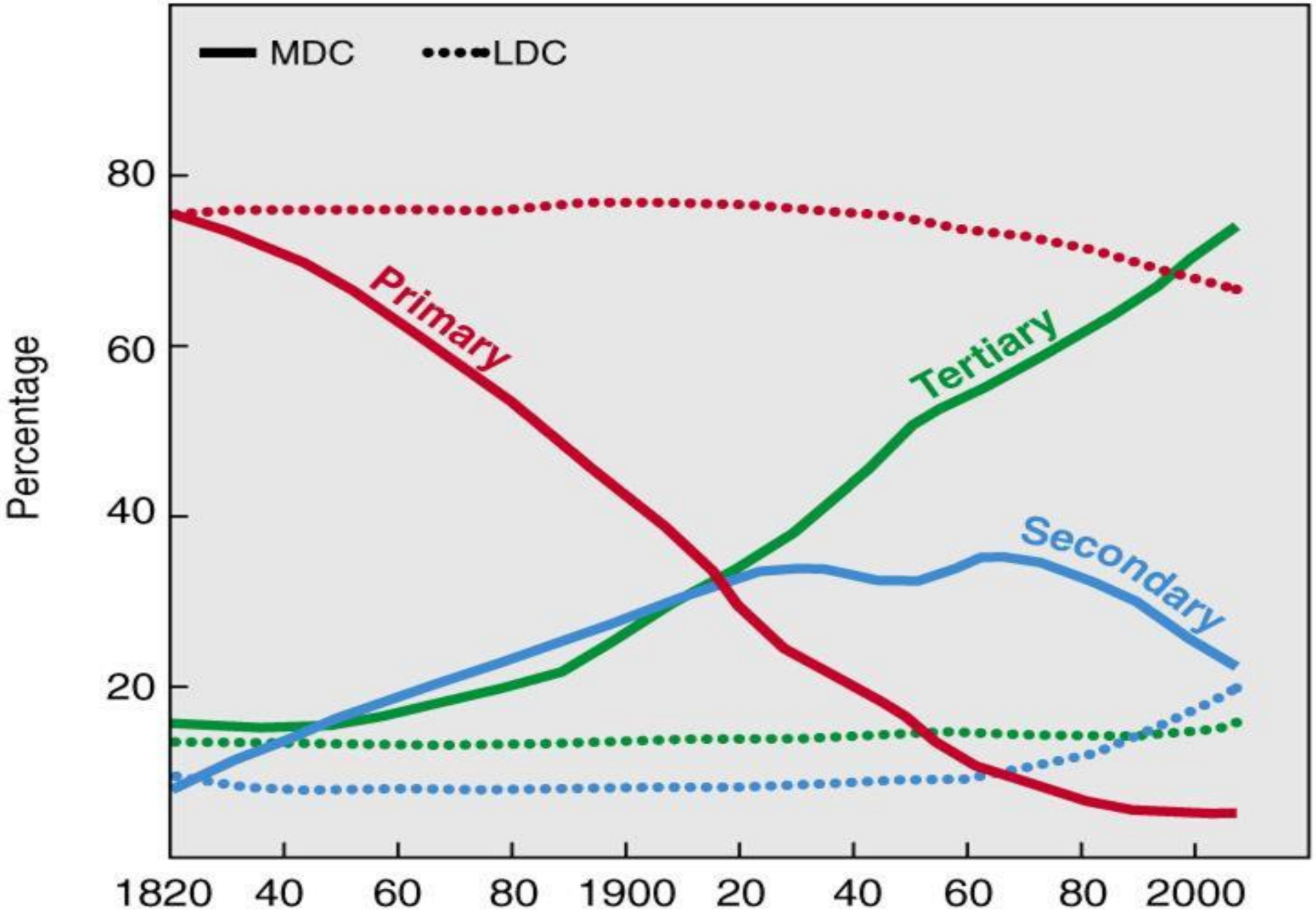
Assumptions and Problems with Rostow's Model

1. All countries will pass through the stages of development in order
2. Every country's goal is to reach high mass consumption
    a. Problem: Not sustainable on a global scale
3. Does not take into consideration global politics, colonialism, geogrpahy, culture, war/conflict
4. Critics say it has a Euro/Western bias
    a. Hard to apply to regions in SSA

International Trade Approach

	Primary Sector	Secondary Sector	Tertiary Sector
The Traditional Society	Vast Majority	Very Few	Very Few
Pre-conditions for Take Off	Vast Majority	Few	Very Few
Take Off	Declining	Rapid Growth	Few
The Drive to Maturity	Few	Stable	Growing Rapidly
High Mass Consumption	Very Few	Declining	Vast Majority

New International Division of Labor



Development through international trade

- Examples of international trade approach
  - The “four Asian dragons”: Singapore, Hong Kong, Taiwan, South Korea
  - Petroleum-rich Arabian Peninsula states

  Semi-Peripheral States

- Three major problems:
  - Uneven resource distribution
  - Increased dependence on MDCs
  - Market decline

Other Barriers and Problems Countries face with Development

1. Low levels of Social Welfare in the Periphery
    1. Adult labor vs. dependency ratios
    2. Healthcare & sanitation
    3. Education (women/girls)
2. Foreign Debt
    1. IMF and Structural Adjustment Loans (gov't)
3. Political Instability
    1. Corruption
    2. Civil war
4. Disease (Malaria, AIDS)

Models of Economic Development Wallerstein's World System Analysis

1. Core: High Income

High use of technology

High % of tertiary activities

High levels of Education by the majority of the population

OECD countries G8

2. Semi-Periphery: used to be peripheral states

Increased economic development

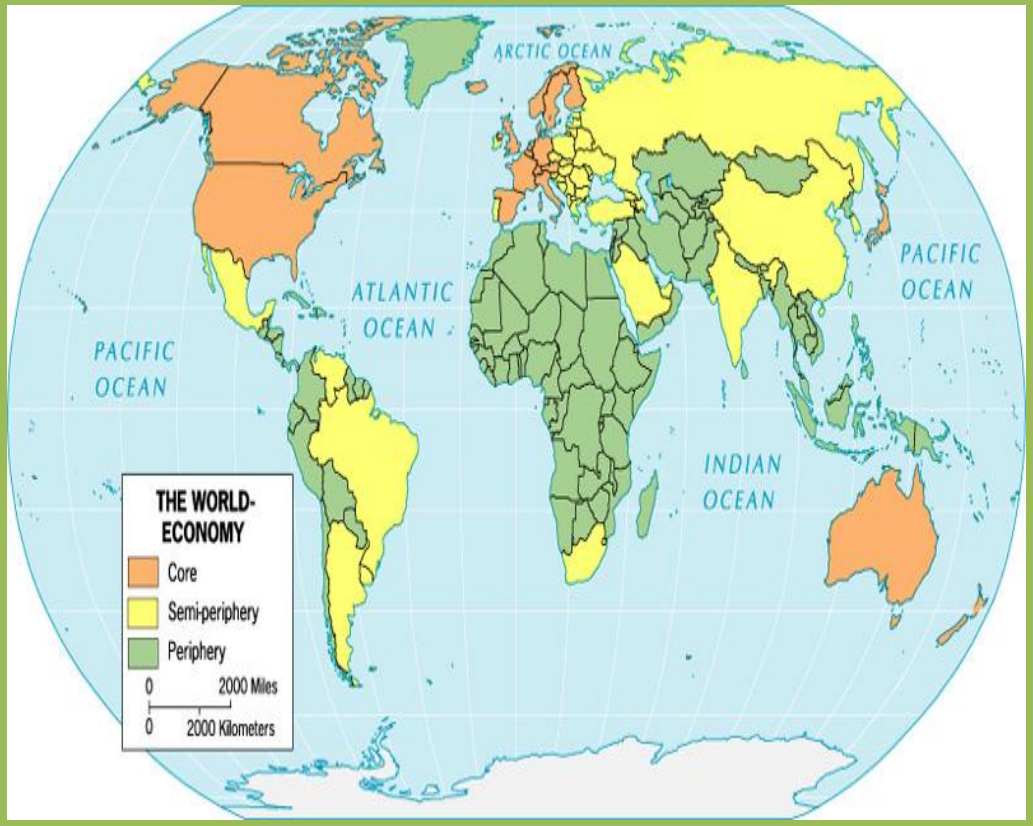
BRICS

3. Periphery: Low Income

Low use of technology

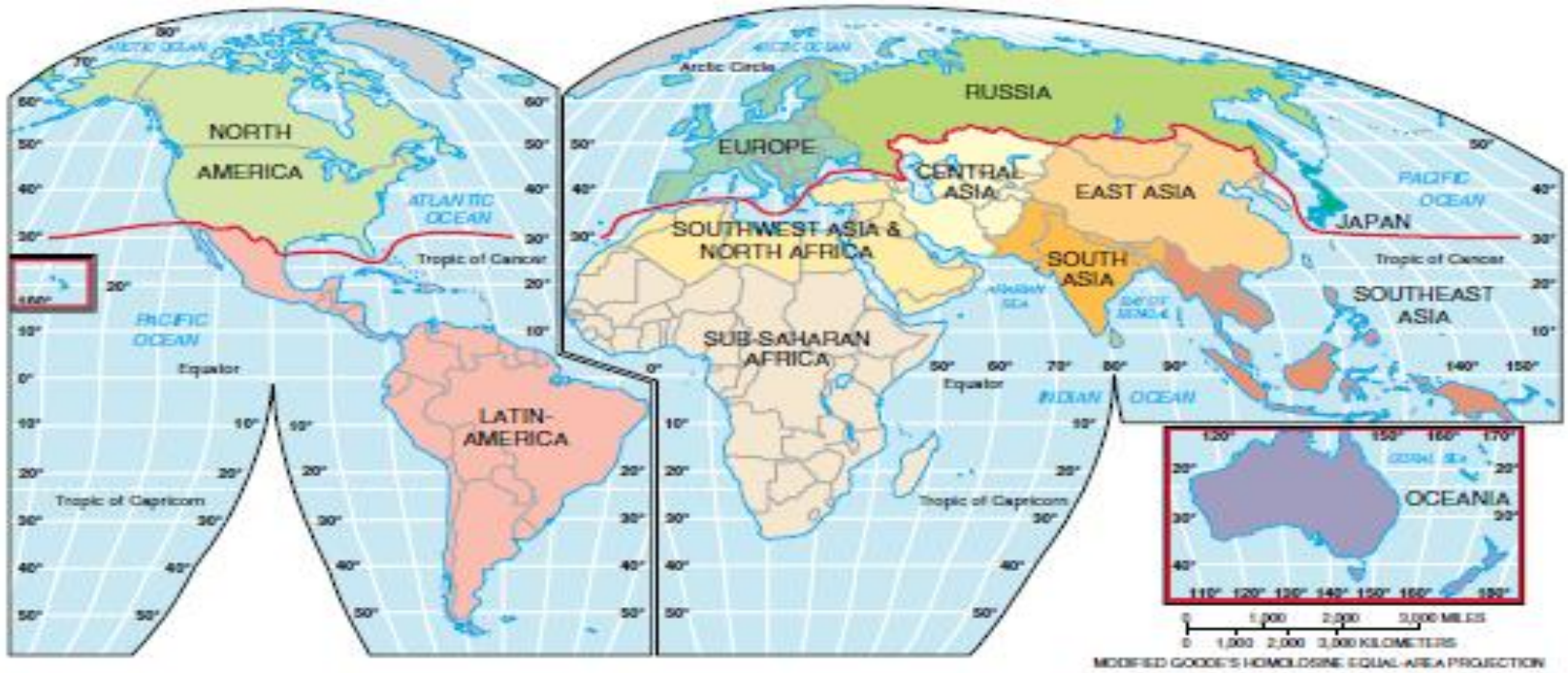
High % of primary activities

Low levels of education by the majority of the population



Core and Periphery Model: North South Divide

More and less developed regions.



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Core-Periphery on a national scale

GDP per capita as percent of national average in Chinese provinces.

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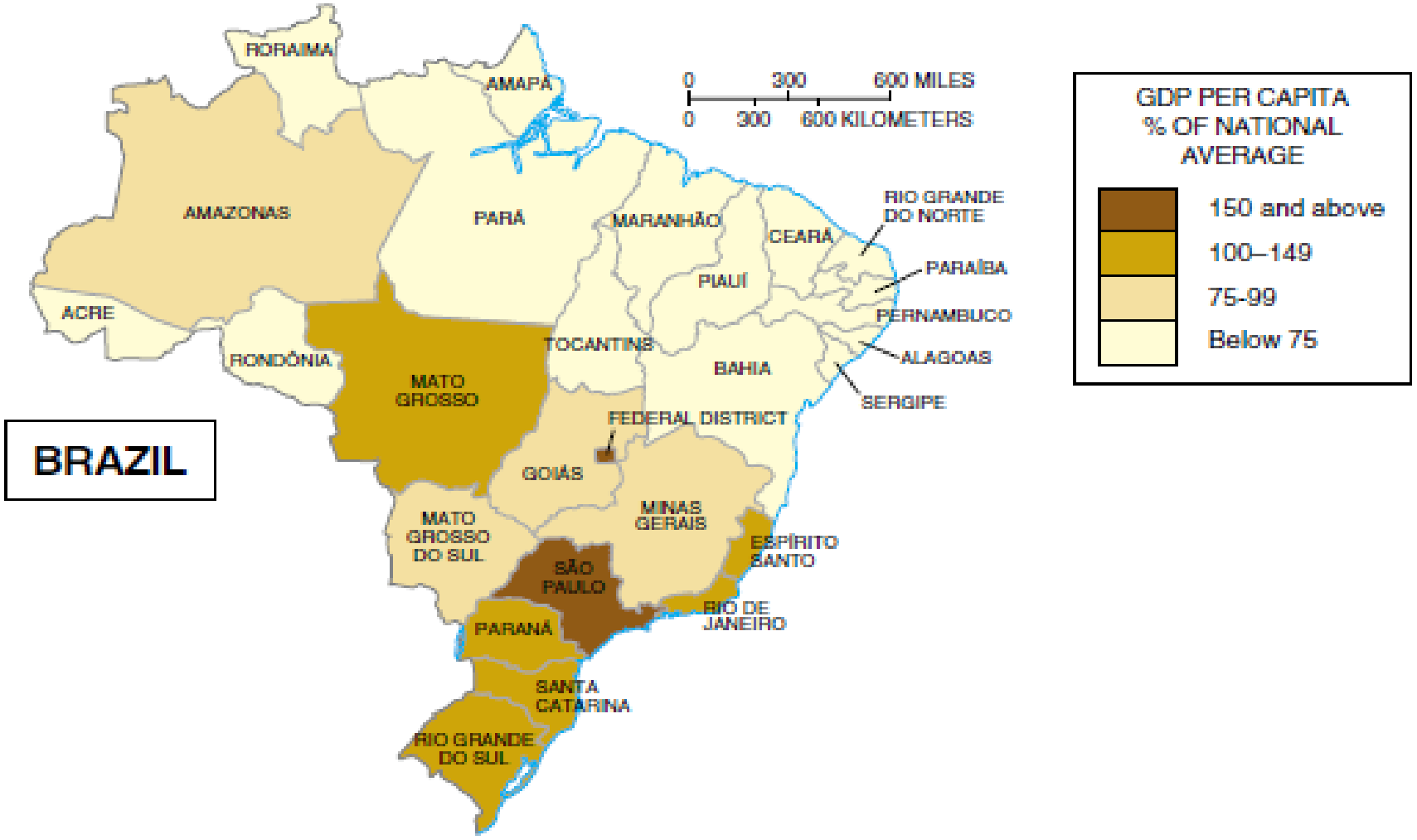
GDP per capita as percent of national average in Brazilian states.



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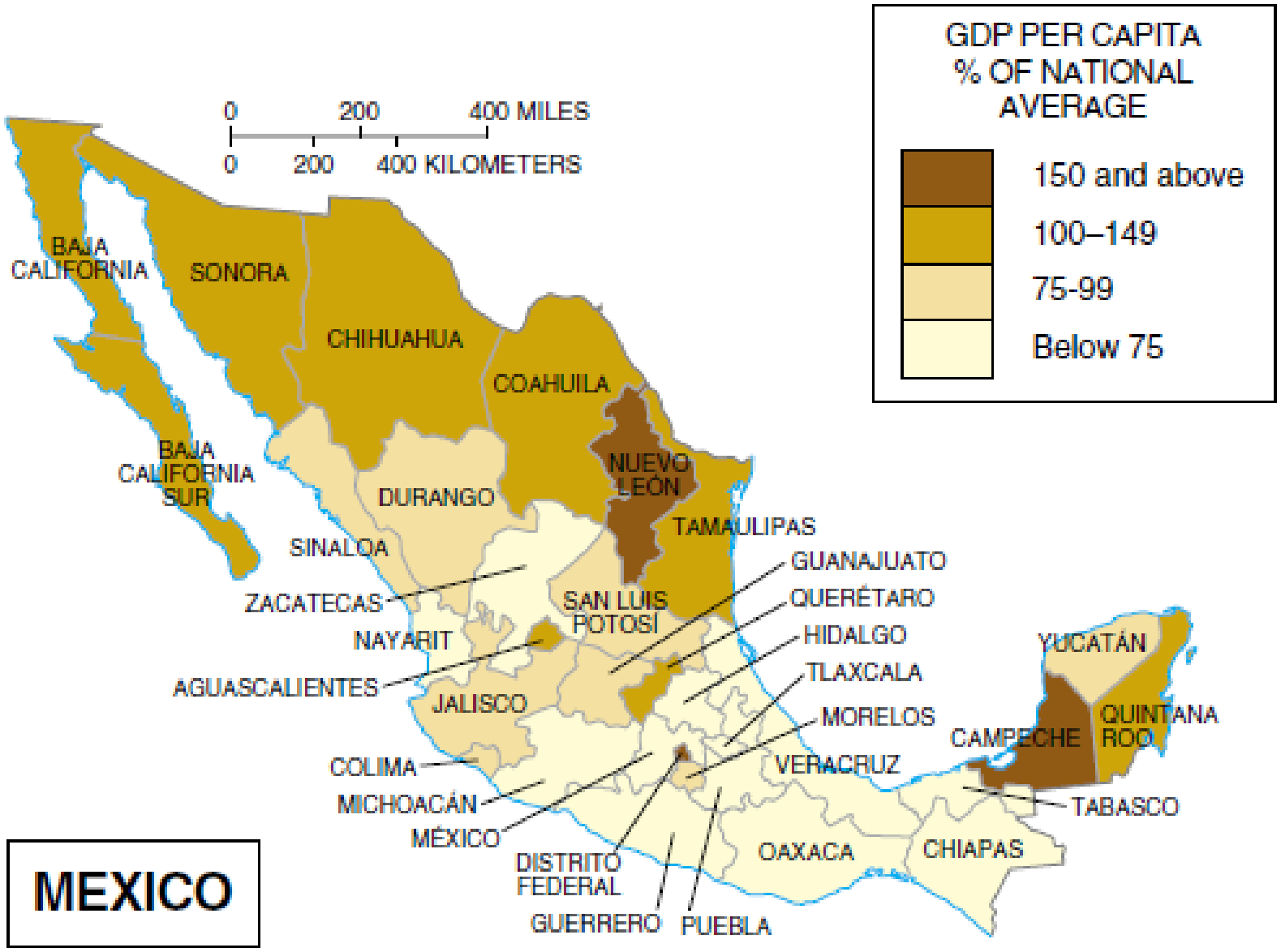
GDP per capita as percent of national average in Mexican states.



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What is being done to increase development now? United Nations Millennium Development Goals

BBC FOUR
lifespan
75 years
50 years
25 years
1927
income
$400
$4 000
$40 000