9.1 Human Development Index

• Development
  – The process of improving the material conditions of people through diffusion of knowledge and technology
• Developed country
  – AKA more developed country (MDC)
  – AKA relatively developed country
• Developing country
  – AKA less developed country (LDC)
  – AKA relatively developed country
9.1 Human Development Index

- Human Development Index (HDI)
  - Decent standard of living
  - Access to knowledge
  - Long and healthy life
9.1 Human Development Index

HDI

- Very high developed (above 0.79)
- High developing (0.68 – 0.79)
- Medium developing (0.49 – 0.67)
- Low developing (below 0.49)
- No data
9.1 Human Development Index

• Inequality-Adjusted Human Development Index (IHDI)
  – A comparative measure against the HDI
  – The greater the difference between HDI and IHDI, the greater the inequality
9.1 Human Development Index

INEQUALITY-ADJUSTED HDI
9.1 Human Development Index

• Focus on world regions
  – Nine world regions based on physical, cultural, and economic features
9.1 Human Development Index

NINE WORLD REGIONS

- Europe
- North America
- Latin America
- Southwest Asia and North Africa
- Sub-Saharan Africa
- Central Asia
- East Asia
- South Asia
- Southeast Asia
- Japan
- Russia
- South Pacific

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9.2 Standard of Living

- Developed countries have higher average incomes than developing countries.
- People in developed countries have higher incomes and possess more goods.
9.2 Standard of Living

• Income
  – Annual gross national income per capita at purchasing power parity
  – Gross domestic product
    • The value of the output of goods and services produced in a country in a year
    • Money that leaves the country is not included in measure
  – Purchasing power parity
    • Accounts for the differences in the cost of goods among countries
9.2 Standard of Living

GNI PER CAPITA PPP
9.2 Standard of Living

- Economic structure
  - Three sectors or categories
    - Primary
    - Secondary
    - Tertiary
  - Developing countries have a higher share of primary and secondary workers
  - Developed countries have a higher share of tertiary workers
PERCENT GNI CONTRIBUTED BY TYPE OF JOB

- **Tertiary Sector**
  - Developed
  - Developing

- **Secondary Sector**
  - Developed
  - Developing

- **Primary Sector**
  - Developed
  - Developing

Year:
- 1975
- 1980
- 1985
- 1990
- 1995
- 2000
- 2005

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9.2 Standard of Living

- Productivity
  - 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 cost of raw materials and energy
9.2 Standard of Living

- Consumer goods
9.2 Standard of Living

![Bar Chart](chart.png)

- Developed
- Developing
- North America
- Europe
- South Pacific
- Japan
- Russia
- Latin America
- East Asia
- Southwest Asia and North Africa
- Southeast Asia
- Central Asia
- South Asia
- Sub-Saharan Africa

**Telephones per 100 people**

**Telephones per 100 People**
INTERNET USERS PER 100 PEOPLE
9.2 Standard of Living

• Focus on North America
  – Highest per capita income
  – Highest percentage of tertiary-sector employees
  – Highest level of consumption of consumer goods
9.3 Access to Knowledge

• Quantity of schooling
  – Most critical measure of ability of an individual to gain access to knowledge for development
  – Years of schooling
    • The number of years the average person age 25 or older in a country has spent in schools
9.3 Access to Knowledge

MEAN YEARS OF SCHOOLING
9.3 Access to Knowledge

• Expected years of schooling
  – The number of years that the average five-year-old child is expected to spend with his or her education
9.3 Access to Knowledge

The chart shows the expected years of schooling for different regions and countries. The regions are categorized as Developed, Developing, North America, Europe, South Pacific, Japan, Russia, Latin America, East Asia, Southwest Asia and North Africa, Southeast Asia, Central Asia, South Asia, and Sub-Saharan Africa.

The countries within each region exhibit varying expected years of schooling, with some countries having significantly longer education periods than others. The chart provides a clear visual representation of the differences in educational attainment across these regions.
9.3 Access to Knowledge

• Quality of schooling
  – Pupil–teacher ratio
  – Literacy rate
    • The percentage of a country’s people who can read and write
9.3 Access to Knowledge

PUPIL/TEACHER RATIO
9.3 Access to Knowledge

• 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.
9.4 Health Indicators

- Life expectancy

**LIFE EXPECTANCY BY REGION**
9.4 Health Indicators

- Health care access
  - Healthier populations are more economically productive.
CHILDREN LACKING MEASLES IMMUNIZATION
9.4 Health Indicators

• Health care expenditures
  – Healthier populations are more economically productive.
9.4 Health Indicators

HEALTH CARE EXPENDITURE PER CAPITA
HEALTH CARE EXPENDITURE AS PERCENTAGE OF GNI
Focus on Latin America
- Varying levels of development
- Coastal area has a relatively high per capita GNI
- Relatively high life expectancy
- Relatively high immunization rates
- More hospital beds per capita
- More money spent on health care
- Less than developed regions, however
The status of women is lower than men in every country.

Gender Inequality Index (GII)
- Reproductive health
- Empowerment
- Labor
GENDER INEQUALITY INDEX (GII)
9.5 Gender-Related Development

• Empowerment
  – The percentage of seats held by women in the national legislature
  – The percentage of women who have completed high school
SEATS IN NATIONAL LEGISLATURE HELD BY WOMEN
9.5 Gender-Related Development

• Labor
  – Labor force participation rate
    • The percentage of women who hold full-time jobs outside the home
9.5 Gender-Related Development

ADOLESCENT FERTILITY RATE (RIGHT)
TEENAGE MOTHER IN OHIO (LEFT)

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9.5 Gender-Related Development

- Reproductive health
  - Material mortality ratio
    - The number of women who die giving birth per 100,000 births
  - Adolescent fertility rate
    - The number of women per 1,000 women age 15–19
9.5 Gender-Related Development

FOCUS ON EAST ASIA: WOMEN IN THE LABOR FORCE

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Focus on East Asia

- The GII is comparable to that of developed regions.
- China has high female education levels and labor force participation.
  - Low material mortality rates
  - Low teenage fertility rates
  - Accounts for 1/3 of the total world economic growth
9.6 Two Paths to Development

- Development through self-sufficiency
- Self-sufficiency (balanced growth) approach
  - Investment spread equally as possible across all sectors of a country’s economy and in all regions
  - Fair system where residents and enterprises share development benefits
  - Reducing poverty takes precedence over encouraging a few people to become wealthy consumers.

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• Self-sufficiency approach (continued)
  – Fledgling businesses are isolated from competition with large international corporations.
  – Tariffs, quotas, and licenses limit the import of goods.
9.6 Two Paths to Development

• Self-sufficiency: India
  – Barriers to trade
    • Imports are subject to licensing and bureaucratic barriers.
    • Limited quantities of goods are permitted to be sold by importers.
    • Taxes on imported goods significantly increase consumer prices.
    • No currency exchange
    • Government permission is required for sale of new products, factory modernization, and changes in production and staffing.
9.6 Two Paths to Development

- Development through international trade
- W. W. Rostow’s model
- The traditional society
  - Agriculture and national wealth allocated to “nonproductive” activities
- The preconditions for takeoff
  - Technology investment and infrastructure development
9.6 Two Paths to Development

• W. W. Rostow’s model (Continued):
  • The takeoff:
    – Rapid growth generated by limited number of economic activities
  • The drive to maturity
    – Wide diffusion of modern technologies
  • The age of mass consumption
    – Production shift from heavy industry to consumer goods
9.6 Two Paths to Development

• International trade examples
  – The “Four Dragons” barriers to trade
    • South Korea, Singapore, Taiwan, Hong Kong
  – Petroleum-rich Arabian Peninsula countries
• Self-sufficiency shortcomings
  – Self-sufficiency protected inefficient industries.
  – A large bureaucracy was needed to administer the controls.
9.6 Two Paths to Development

• International trade shortcomings
  – Local hardships
  – Slow market growth
  – Low commodity prices
9.6 Two Paths to Development

- International trade triumphs
  - India
    - Reduced taxes and restrictions on imports and exports
    - Eliminated many monopolies
    - Encouraged improvement of the quality of products
9.6 Two Paths to Development

WORLD TRADE AS PERCENT OF INCOME

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9.6 Two Paths to Development

GDP PER CAPITA CHANGE IN INDIA

GDP per capita growth (% change from previous year)

Year

GDP PER CAPITA CHANGE IN INDIA
• Focus on Southwest Asia and North Africa
  – Oil-rich countries that have used revenues to finance large-scale projects
  – Imported consumer goods are readily available.
  – Cultural clash between some business practices and Islamic principles
  – Women are excluded from holding many jobs and visiting public places.
  – Prayer practices halt business several times per day.
9.7 World Trade

- World Trade Organization (WTO)
  - 1. Reduce or eliminate restrictions:
    - On trade of manufactured goods
    - On international movement of money
• World Trade Organization (WTO)
  – 2. Enforce agreements:
    • By ruling if a country has violated a WTO agreement
    • By ordering violation remedies
• World Trade Organization (WTO)
  – 3. Protect intellectual property:
    • By hearing charges of patent and copyright violations
    • By ordering illegal copyright or patent activities to stop
9.7 World Trade
9.7 World Trade

• WTO critics
  – Progressive: WTO is antidemocratic
  – Conservative: WTO compromises power and sovereignty of individual countries
• Foreign Direct Investment (FDI)
  – Investment made by a foreign company in the economy of another country
9.7 World Trade

GROWTH IN FDI

- Latin America
- East Asia
- Other Developing Regions

Foreign Direct Investment (trillion $)

Year


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9.7 World Trade

- Transnational Corporation (TNC)
  - Invests and operates in countries other than the one in which its headquarters are located
9.7 World Trade

• 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

• Foreign aid
  – U.S. government gives .2 percent of its GNI
  – European countries give .5 percent of their GNI
FOREIGN AID AS PERCENT OF GNI
9.8 Financing Development

• Loans
  – World Bank
  – International Monetary Fund (IMF)
  – 50 percent of World Bank projects failures
    • Faulty engineering
    • Squandered aid
    • Lack of business attraction
9.8 Financing Development

DEVELOPMENT ASSISTANCE
WORLD BANK INVESTMENT: THE PHILIPPINES
9.8 Financing Development

• 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
9.8 Financing Development

• Structural adjustment programs (continued)
  – Requirements typically include (continued):
    • Invest scarce resources where impact would be greatest
    • Encourage more productive private sector
    • Government reform

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• 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
  – Structural adjustment programs lead to:
    • Economic growth
9.8 Financing Development

DEBT AS PERCENT OF GNI
9.8 Financing Development

• 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 Labelling Organisations International (FLO)
    - Sets international standards
  - Standards applied to workers on farms and in factories
9.9 Fair Trade

- Fair trade producer practices
  - Fair trade cooperatives
    - Local producers are members and have greater oversight.
9.9 Fair Trade

• Fair trade worker standards
  – Employers’ requirements include:
    • Fair wages
    • Permitting of unions
    • Environmental and safety standards compliance
9.9 Fair Trade

• 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

• 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

HDI CHANGE, 1980–2010
HDI CHANGE BY REGION

- Developed
- Developing
- North America
- Europe
- South Pacific
- Japan
- Russia: No data available
- Latin America
- East Asia
- Southwest Asia and North Africa
- Southeast Asia
- Central Asia: No data available
- South Asia
- Sub-Saharan Africa

HDI Change: 1980 to 2010
9.10 Millennium Development Goals

The graph shows the change in life expectancy from 1952 to 2012 for developed and developing countries.

- **Developed**: The life expectancy for developed countries has consistently increased from approximately 65 years in 1952 to around 75 years in 2012.
- **Developing**: The life expectancy for developing countries has also increased, though at a slower rate compared to developed countries, starting from around 40 years in 1952 and reaching approximately 60 years in 2012.

Yearly Data Points:
- **1952**: Life expectancy for developed countries was around 65 years.
- **1962**: Life expectancy for developed countries was around 67 years.
- **1972**: Life expectancy for developed countries was around 69 years.
- **1982**: Life expectancy for developed countries was around 71 years.
- **1992**: Life expectancy for developed countries was around 73 years.
- **2002**: Life expectancy for developed countries was around 75 years.
- **2012**: Life expectancy for developed countries was around 77 years.

For developing countries:
- **1952**: Life expectancy was around 40 years.
- **1962**: Life expectancy was around 45 years.
- **1972**: Life expectancy was around 50 years.
- **1982**: Life expectancy was around 55 years.
- **1992**: Life expectancy was around 60 years.
- **2002**: Life expectancy was around 65 years.
- **2012**: Life expectancy was around 70 years.

The graph illustrates a significant increase in life expectancy for both developed and developing countries over the 60-year period.
9.10 Millennium Development Goals

CHANGE IN GDP PER CAPITA

GDP per capita (US dollars, $)

Year


Developed
Developing
• 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
• Millennium development goals (continued)
  – 5: Improve maternal health
  – 6: Combat HIV/AIDS, malaria, and other diseases
  – 7: Ensure environmental sustainability
  – 8: Develop a global partnership for development
9.10 Millennium Development Goals

• 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
Chapter Review

• Key Questions
  – How does development vary among regions?
  – How can countries promote development?
  – What are future challenges for development?