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### BE ABLE TO

- use examples of human welfare indicators to distinguish between relatively developed and less developed countries.
- use examples of economic indicators to classify countries as less developed or relatively developed.
- draw the Brandt line on a world or regional map and give examples of elements of the core and periphery.
- discuss specific examples of “semi-peripheral” countries, explaining why they are so labeled.
- compare and contrast different theories and models of economic development and the relationship between LDCs and relatively developed countries.
- provide examples of the different sectors of a country’s economy and explain the economic relationship between them.

### READING ASSIGNMENTS

1. Rubenstein, Chapter 9: *Development*
2. Kuby, Chapter 7: *Rags and Riches: The Dimensions of Development*
1. **Core-Periphery Model of Development**: Most of the countries that have achieved relatively high levels of development are located above 30 degree north latitude. Viewed from a north polar projection, more developed countries appear clustered in an inner core, whereas less developed countries are generally relegated to a peripheral or outer-ring location.

2. **Dependency Theory**: States that LDCs tend to have a higher dependency ratio, the ratio of the # of people under 15 or over 64 to the # in a labor force. This affects economic development.

3. **Economic indicators of development**: economic, social, demographic (HDI)
   **economic**: Gross Domestic Product (GDP) + types of jobs; productivity, value added
   **social**: education; literacy rate; health and welfare
   **demographic**: life expectancy; infant mortality rate, natural increase rate, crude birth rate

4. **Ecotourism**: Beach resorts, golfing, skiing, wine regions, historical districts and cultural attractions like festivals and archaeological sites can all create tourist draw. Now we add rainforest, marine reef, savannah grassland, and polar habitats have all become destinations for paying tourists called ecotourism.

5. **EEZ (Exclusive Economic Zone)**: exclusive economic rights from shore out to 200-nautical-mile limit. Within 200 nautical miles of its shores, a state controls all aspects of natural resource exploration and extraction. This includes fisheries, oil and gas production, salvage operations, and permits for such activity. 200 nautical miles is beyond the shallow water continental shelf in almost all cases.
6. **Fair Trade Producer Standards:** Consumers pay higher prices for fair trade products than for grocery store brands, but the prices are comparable to those charged for gourmet brands. However, fair trade coffee producers receive a significantly higher price per pound than traditional coffee producers. North American consumers pay $4 to $11 a pound for coffee brought from growers for about 80 cents a pound. Growers who sell to fair trade organizations earn $1.12 to $1.26 a pound. Because fair trade organizations bypass exploitative middle men and work directly with producers, they are able to cut costs and return a greater percentage of the retail price to the producers.

7. **Fair Trade Worker Standards:** Requires employers to pay workers fair wages, permit union organizing, and comply with minimum environmental and safety standards. Fair Trade workers are paid at least the country’s minimum wage. Workers are paid enough to cover food, shelter, education, health care, and other basic needs.

8. **Foreign Direct Investments (FDI):** FDI is money from international private investors or investment firms in other countries who are looking to earn a profit. These investors put up money to start a new business or build a new factory in NICs (newly industrialized countries).

9. **Four (old) Asian Tigers:** is a term used to describe the industrial economies of Asia that have been aggressive in terms of economic growth rates and their ability to compete for consumers. There are 2 classes of Asian Tigers depending on the age of the manufacturing economy and a few other factors: 1950s-1970s: Japan, South Korea, Taiwan, Hong Kong (Singapore). New Asian Tigers 1980s-1990s: China, India, Indonesia, Malaysia, Thailand, Vietnam. 2000: Philippines. Part of Rostow’s International Trade Model.

10. **Free markets/free trade:** This is a market economy based on supply and demand with little or no government control. Also, this is an idealized form of market economy where buyers/sellers/traders are allowed to transact freely based on a mutual agreement on price without state invention in the form of taxes, price controls, and restrictions. USA, MDCs.

11. **Grameen Bank of South Asia:** Professor Yunus of Bangladesh launched an action research project to provide credit and banking service to the rural poor of Bangladesh. "Grameen" means "rural/village" in Bangla language. This extends banking facilities to poor men and women, eliminate exploitation of the poor by money lenders, create opportunities for self-employment for unemployed people in rural communities, and bring the disadvantages, mostly women, from the poorest households to help them to understand and manage themselves as well as their wages.

12. **Gross National Income (GNI):** GNI is the dollar value of all goods and services produced in a country, plus the dollar value of exports MINUS imports in the same year. GNI is a much more accurate measure of economic volume compared to GDP.

13. **Gross National Income Purchasing Power Parity (GNI PPP):** is an estimate that takes into account differences in prices between countries. Ex.: In the USA, a loaf of bread costs
$2.21$, but in China it costs about $1.63$. This reflects the estimated actual value of an individual’s purchasing power.

14. IMF (International Monetary Fund): Provides loans to countries experiencing balance-of-payment problems that threaten expansion of international trade reserves, stabilize currency exchange rates, and pay for imports without having to impose harsh trade restriction that could hamper the growth of world trade. IMF does not lend for specific projects. Funding of the IMF is based on each member country’s relative size in the world economy.


![Rostow's Model of Development Diagram]

**Figure 1: Rostow’s Model of Development.**

16. Levels of Development

* **First World**: industrialized and service-based economies that have free markets, a high level of productivity value per person, and a high quality of life: USA, Canada, EU countries like Norway, Switz., Iceland, Israel, Australia, New Zealand, South Korea, Japan, Singapore, Taiwan, Middle Eastern oil states: Saudi Arabia, Kuwait, UAE, Oman, and Bahrain.

* **Second World**: Describes the Communist countries of which only two “hard line” Communist states remain today: Cuba and North Korea. These states still have central planned economies.

* **Third World**: Countries with mainly agricultural and resource-based economies that have low levels of per-person productivity and a low quality of life: Latin America, the Caribbean, Africa, and Asian countries not listed above.
* Fourth World: Third World states that have experienced some sort of economic crisis that has immobilized the national economy: crash of country's banking system, devaluation of country's currency, a failed gov't taxation system, or events that shut down the economy such as warfare and natural disasters: Sierra Leone, Syria, and Liberia (civil wars) and Myanmar (cyclone disaster).

* Fifth World: The Third World states that both lack a functioning economy (like Fourth World states) and have no formal national government. Somalia and Western Sahara qualify.

17. NAFTA (North Atlantic Free Trade Association): Trade agreement between USA, Canada, and Mexico to ensure open trade between all three countries.

18. Newly industrialized countries (NICs): Third World states that have economies that have made a distinct shift away from agriculture and toward manufacturing as the focus of economic development and production. NICs have rapid population growth and are usually on the border of stage two and stage three: Mexico, Brazil, Nigeria, China, Vietnam, India, Thailand, Philippines, Malaysia

19. Quaternary sector: types of jobs that includes wholesaling, finance, banking, insurance, real estate, advertising, and marketing (business services). Under tertiary sector.

20. Quinary sector: includes retailing, tourism, entertainment, and communications, government, or semi-public services such as health, education, and utilities (consumer services) Under tertiary sector.

21. Rostow's International Trade Model: To promote development LDCs choose 1 or 2 models: Self-Sufficiency or Rostow's International Trade Model. See above: International Trade

22. Subsistence economy: This approach restricts local businesses from exporting to other countries. An agrarian economy based on production for consumption rather than exchange. Such economies are characterized by low levels of production, yielding a surplus capable of meeting little more than the basic necessities of life, and often are a part of Third World poverty and cause of underdevelopment.

23. Self-Sufficiency Model of Development: To promote development LDCs choose 1 of 2 models: Self-Sufficiency or International Trade (Rostow).
   - If a country follow this approach, they should spread investment as equally as possible across all sectors of the economy and in all regions.
   - The pace of development may be modest, but the system is fair because residents and enterprises throughout the country share the benefits of development.
   - Incomes in the countryside keep pace with those in the city
   - Reducing poverty takes precedent over encouraging a few people to become wealthy consumers
   - This approach nurses fledgling businesses in an LDC by isolating them from competition with large international corporations
• Such insulations from MDCs encourages a country’s fragile businesses to achieve independence
• Countries promote such self-sufficiency by setting barriers that limit the import of goods from other places
• 3 widely used barriers: 1. setting high taxes on imported goods to make them more expensive than domestic foods 2. fixing quotes to limit the quantity of imported goods 3. requiring licenses in order to restrict the # of legal importers.
• This approach restricts local businesses from exporting to other countries. An agrarian economy based on production for consumption rather than exchange. Such economies are characterized by low levels of production, yielding a surplus capable of meeting little more than the basic necessities of life, and often are a part of Third World poverty and cause of underdevelopment. CHINA and AFRICA

22. Sustainable development: Products drawn from living resources like fisheries and forestry are renewable. This ability to continuously rely on a resource depends on the sustainable use of the resource. This means that fish cannot be taken from the sea in amounts they cannot replacement themselves (with or without fish hatcheries).

23. SEZs: (special economic zones): Where governments allow a special zone or section of their country to have more economic freedom than the rest of the country. Ex: China has SEZs where they allow free markets rather than Communist control.

24. Tertiary sector: includes the transportation, wholesaling, and retailing of finished goods to consumers. Further divided into quaternary and quinary.

25. World Bank: NICs (Newly industrialized countries) seek loans from World Bank. These loans are most often given to help build major infrastructure projects like electric power systems, dams, water purification and waste treatment, pipelines, highways, and national rail systems. The expectation is that the news services can charge fees that will be used to pay back the loans to World Bank.

26. World Trade Organization (WTO): Deals with the global rules of trade between 157 states (2013). Its main function is to ensure that trade flows as smoothly, predictably, and freely as possible. It handles trade disputes and provides technical assistance and training for LDCs. Headquartered in Geneva, Switzerland, is enforces the rules of international trade and makes sure they are correctly applied.
KNOW

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READING ASSIGNMENTS
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2. Kuby, Chapter 7: Rags and Riches: The Dimensions of Development
ECONOMIC INDICATORS OF DEVELOPMENT

1. What four different factors does the UN consider when determining a country’s level of development, its HDI (Human Development Index)?

1a. What is gross domestic product (GDP)?

1b. How much does a typical worker in an MDC earn in an LDC?

1c. What is the annual per capita GDP in an MDC in an LDC?

1d. What has been happening to the gap between MDCs and LDCs in terms of GDP?

2. Explain this statement: "Per capita GDP measure average (mean) wealth, not its distribution." Not in the textbook. You INFER, please:

TYPE OF JOBS:

3a. What types of jobs comprise the primary sector of an economy? secondary sector? tertiary sector?

Primary:

Secondary:

Tertiary:

(Quaternary and Quinary jobs are under Tertiary: note in Vocab not Found in Textbook. Must know for AP HUGS College Board Final in May)

3b. How is the % of workers in agriculture different in LDCs and MDCs?
3c. Within MDCs, what is the trend (increasing or decreasing) for each of the sectors?  

Primary -  

Secondary -  

Tertiary -  

PRODUCTIVITY

4. Define each of the following related terms:  
   - productivity  
   - value added

CONSUMER GOODS

5a. What three “consumer goods” are considered to be particularly good indicators of development? 

5b. What is the ratio of people to these types of goods in a typical MDC? in a typical LDC? 

5c. The people in LDCs who do have access to consumer goods are usually concentrated in what regions? 

SOCIAL INDICATORS OF DEVELOPMENT

EDUCATION AND LITERACY

6a. Quantity of education: How many years of schooling does a person get in an average MDC? LDC? 

6b. How does gender separate MDCs and LDCs in terms of education? 

6c. What is the literacy rate in MDCs? in LDCs?
7. What are three ways in which the level of health and welfare are measured in a country?
   a. 
   b. 
   c. 

DEMOGRAPHIC INDICATORS OF DEVELOPMENT

8. Indicate the statistic for each of the following demographic characteristics.

<table>
<thead>
<tr>
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<th>MDC</th>
<th>LDC</th>
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<td>Life Expectancy</td>
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<td>Infant Mortality Rate</td>
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<td>Natural Increase Rate</td>
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<td>Crude Birth Rate</td>
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Extra Notes:

IMF is high because in LDCs:

   a. Malnutrition
   b. Lack of medicine
   c. Poor medical practices
   d. Lack of education from parents

Crude Death Rate – not an indicator for level of development. WHY?

   a. CDR is lower in LDCs
   b. Diffusion of medical technology from MDCs has sharply reduced the CDR
   c. MDCs have a higher percentage of older people who have high mortality rates, and lower percentage of children who have low mortality rates once they survive infancy.
Economic Development: Key Issue 2
Where Are More and Less Developed Countries Located?
Rubenstein, pp. 281-288

As you read the text, identify the average HDI (Human Development Index) for each region in the left column and make any necessary commentary regarding the level of development in the region in the right column.

<table>
<thead>
<tr>
<th>Region</th>
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<tr>
<td>North America</td>
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<td>Europe</td>
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<td>Sub-Saharan Africa</td>
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Economic Development: Key Issue 3 Rubenstein, pp. 288-294

Where Does Level of Development Vary by Gender? INEQUALITY

Introduction to GENDER INEQUALITY World-Wide
* Country’s overall level of development masks inequality in the status of men & women
* Gender inequality exists in every country of the world according to UN
* United Nations has not found a single country in the world where women are treated as well as men.
* To measure the extent of each country’s gender inequality, the UN has created 2 Indexes:
  1. Gender-Related Development Index (GDI)
  2. Gender Empowerment Measure (GEM)

• GENDER-RELATED DEVELOPMENT INDEX

1. The GDI considers four areas as it compares the situation of women to that of men in various countries: life expectancy, income, school education, literacy
   • Economic indicator of gender differences: explain

   • Social indicators of gender differences: explain

   • Demographic indicator of gender differences: explain

2. Look at Figure 9-18 p. 291
2a. Women on average have ___ of the income of men in MDCs.
2b. That translates to an income gap of ______________________
2c. LDC income of males and females is low in $ terms but high on __________________

3. Look at Figure 9-19 p. 291
3a. Girls are more likely than boys to be enrolled in school in ________.
3b. % of girls in school is a key measure of gender disparity in ___________ & ________
3c. Latin Am. & Asia boys are and girls ____________________ but attendance ___________

4. Look at Figure 9-20 p. 292. Literacy rate in MDCs is ______________________
   * In Latin Am. and Asia, literacy is ___________________________
   * In sub-Saharan Africa & SW Asia, female literacy is ___________. Males are ________
   * Why is low female literacy an important obstacle to development in s-SAfrica, SW Asia?

5. Look at Figure 9-17 p. 917
   * A low GDI means:__________________________________________

   * A high GDI means:__________________________________________

a. Where are the highest GDIs?

b. Where are GDIs the lowest? 

6. What does the GEM (Gender Empowerment Measure) measure?

7. What two things are measured in order to calculate the GEM?
   a) Professional and technical jobs called:
      Economic ________________________________
   b) Administrative and parliament jobs called:
      Political ________________________________

8. Every country has a lower _________ than ___________.

9. A higher GDI compared to GEM means that ________________________________

10. What types of barriers restrict women from obtaining professional and technical jobs? Read Figure 9-23

11a. List countries in which women comprise a majority as senior officials, administrators, and managers? Read figure 9-24 p. 294

11b. What is that percentage in the United States for senior officials . . .?

12a. Look at Figure 9-22 p. 293 re: GEM. GEM measures the economic power and the political power of women. What AP regions (South, East Asia, South Asia, etc., etc.) have the highest GEM?

12b. Why does the island of Sri Lanka seems to have more GEM than India?

12c. Why would a country with a much lower GEM than GDI offers less power than economic resources? 3 reasons: Consider what GDI entails.
   a. 
   b. 
   c. 
Key Issue #4. Why Do LDCs Face Obstacles to Development?  Pg. 1

You will be taking notes from the PowerPoint Presentations plus referring to information already printed in your Vocabulary Not Found in Your Textbook. Notes will cover:

- Development Through Self-Sufficiency Model
- Development Through International Trade Model by Rostow
- The Four Old/Original Asian Dragons
- Petroleum-Rich Arabian Peninsula States
- Problems with the International Trade Model
- World Trade Organization (WTO)
- Grameen Bank of Asia
- Foreign Direct Investments (FDIs)
- World Bank
- International Monetary Fund (IMF)
- Structural Adjustment Program
- Fair Trade
- Core-Periphery Model