

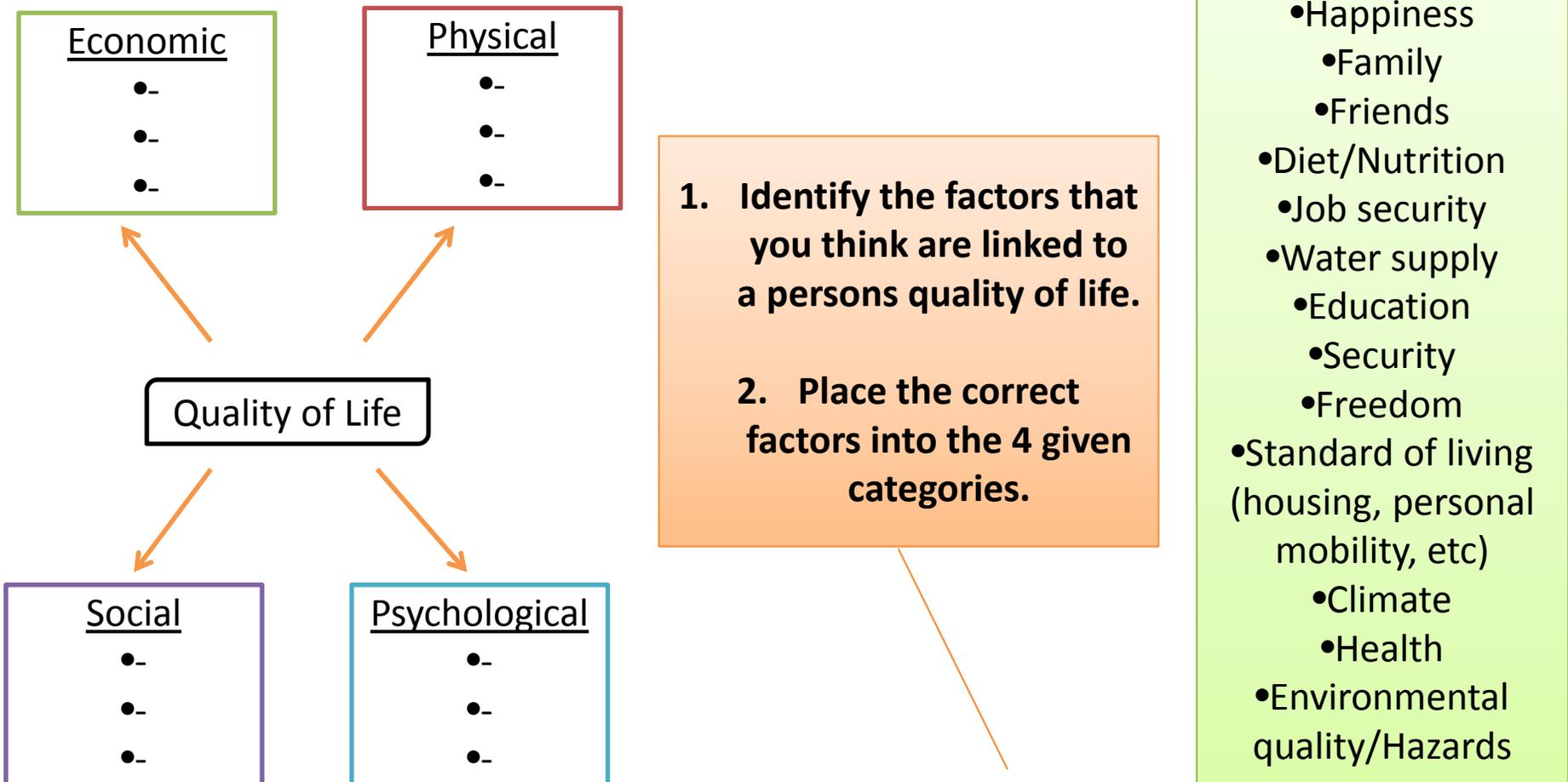
Theme 4 Revision of Economic Development

Wealth

- Wealth or economic well-being is generally linked to how much money someone has or the value of their possessions i.e. House, car etc.
- The more money a person has the richer they are considered and vice versa.
- Does wealth accurately show how developed a country or a place is?
- Wealth is a narrow concept because it refers to money alone and does not include other things that may be important to our happiness or **quality of life**.

What is quality of life?

Quality of life: all the factors that affect a persons general well-being and happiness.



How do we measure the wealth of a country?

How do we measure the wealth of a country?

- The most common indicator of a country's wealth is **Gross Domestic Product (GDP)**.
- **GDP** is the total value of goods and services produced by a country in a year and is measured in US\$.

- Is this an accurate way of measuring the wealth of a country?
- To take into account the different size of populations of countries, the **Gross Domestic Product per capita** is often used.
- **GDP per capita** is the total GDP of a country divided by its total population.
- GDP data is generally shown as **Purchasing Power Parity (PPS)** which takes into account the differences in the cost of living between countries.

How can we measure the quality of life in a way that we can compare countries?

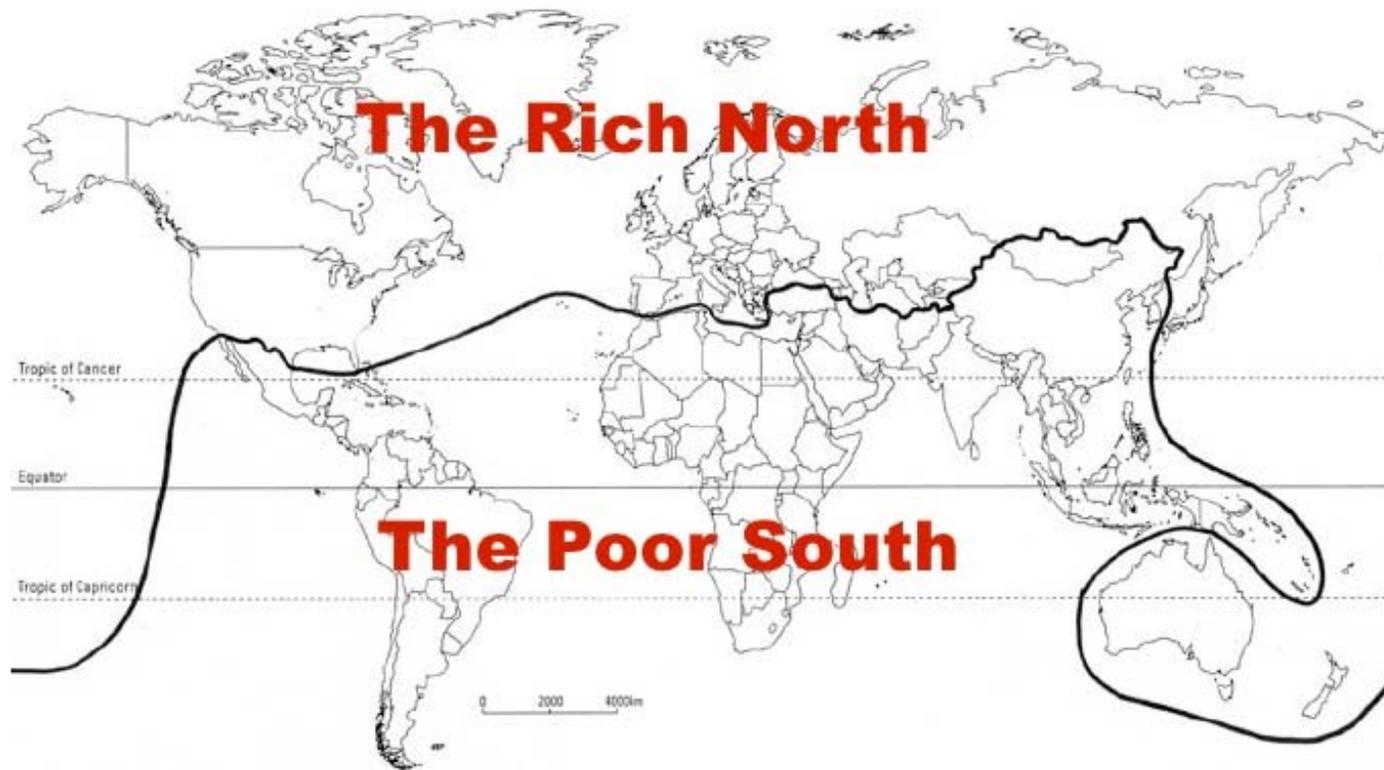
In 1990 the Human Development Index (HDI) was devised. It contains 3 variables:

1. Life expectancy
2. Educational attainment (how many children go to primary, secondary and tertiary education plus adult literacy)
3. GDP per capita (PPS)

Other indicators include:

Development indicator	Definition	A measure of	As a country develops it gets
Life expectancy	The average age a person can expect to live to	healthcare	Higher
Birth rate	The number of births per 1000 people	Female education	Lower
Death rate	The number of deaths per 1000 people	healthcare	Lower
GNI (Gross National Income)	The average amount of money a person has to live on	wealth	Higher
Adult literacy	The percentage of adults who can read and write	education	Higher
Food intake	The average number of calories a person eats a day	Access to food	Higher
Infant mortality	The number of babies who die before their first birthday	healthcare	Lower
Internet users	The number of internet users per 1000 people	Wealth/ investment	higher

The Brandt Line



What is this image showing? Explain your answer

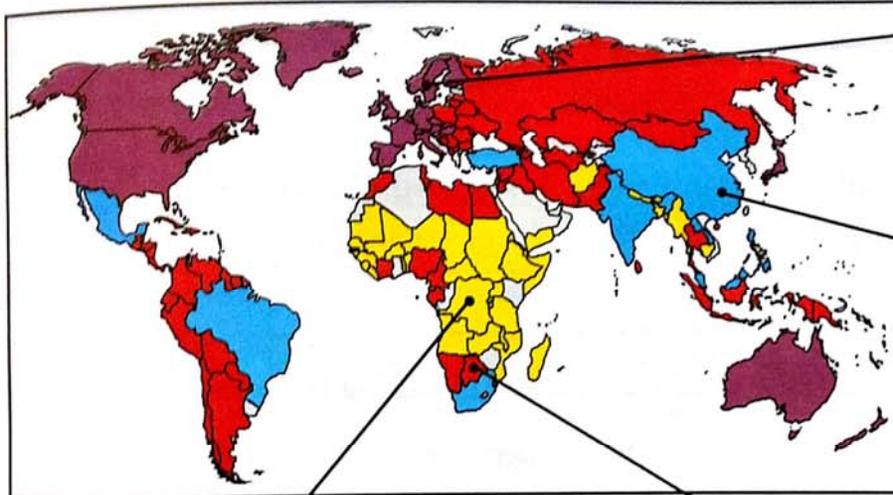
Stages of Development

- In the 1980s the North-South divide (Brandt Line) was used to make distinctions between the developed countries of the 'north' and the developing countries of the 'south'.
 - The Brandt line is around 30 years old. What problems/weaknesses does this distinction have?
- It does not show the stages of development that a country can and may take!

Stages of Development

Many CATEGORIES and explanations have been provided over the years of how countries move from one level of development to another.

Less economically developed countries (LEDCs)	Newly industrialised countries (NICs)	Least developed countries (LDCs)	More economically developed countries (MEDCs)	Middle Income Countries(NICs)
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Most developed countries — these are the most developed countries in the world. For example, the UK, Norway, USA, Canada, France.

Newly Industrialising Countries (NICs) — these are rapidly getting richer as their economy is moving from being based on primary industry (e.g. agriculture) to secondary industry (manufacturing). For example, China, India, Brazil, Mexico, South Africa.

Least developed countries — these are the world's poorest countries with the lowest quality of life. For example, Ethiopia, Chad, Angola.

Middle income countries — these countries aren't really poor, but aren't rich either (they're kind of in the middle). They're developing quickly, but not as quickly as NICs are. For example, Albania, Bulgaria, Poland.

Factors affecting the level of development

Environmental factors

A poor climate such as really hot SO they cannot grow food SO reduces the food available to eat or export
Government get less money from tax because they do not export many products

Environmental factors

Limited water supply SO has little water SO people are less likely to be healthy or be able to grow food

Environmental factors

Few natural resources like oil SO cannot power their economy or make products SO make less money to spend on improving the country

Economic factors

Poor trade links SO only trades with very few countries SO makes little money and cannot develop

Economic factors

The country has a lot of debt from borrowing from the World Bank/ MEDCs SO they pay high interest rates SO have less money to spend on the country

Economic factors

Too many primary products e.g. wood SO do not make much profit SO government spend less money on developing the country

Social factors

The country does not have enough clean water SO people either become ill or die SO less people to work or less work is done SO the country does not develop as quickly

Social factors

Child education is poorly organised or developed SO fewer people grow up knowing how to read/ write SO unable to develop skills to create business or get better paid jobs (remain in primary industry)

Political factors

The government is unstable so does not invest in education or healthcare so people do not have the skills/ health to work to improve the country

Political factors

The government is corrupt so some people become richer by breaking the law while most remain poor and the country does not develop

What is aid & when was it first given?

- Aid is the voluntary transfer of resources.
- The first time that aid was given by one country to help develop another was after WW2 from the USA to western Europe.
- The success of this aid programme (Marshall Plan) has meant that similar approaches have been used around the world ever since.

What are the different types of international aid?

Official Government aid:

Is where the amount of aid given and who it is given to is decided by the government of an individual country. The Department for International Development (DfID) runs the UK's international aid programme.

Voluntary aid:

Is run by Non-Governmental Organisations (NGOs) or is provided by many countries and organised by an international organisation such as the UN.

Bilateral aid:

Is given directly from one country to another. This is often tied to other commercial deals between the involved countries.

Multilateral aid:

Is provided by many countries and organised by an international organisation such as the UN.

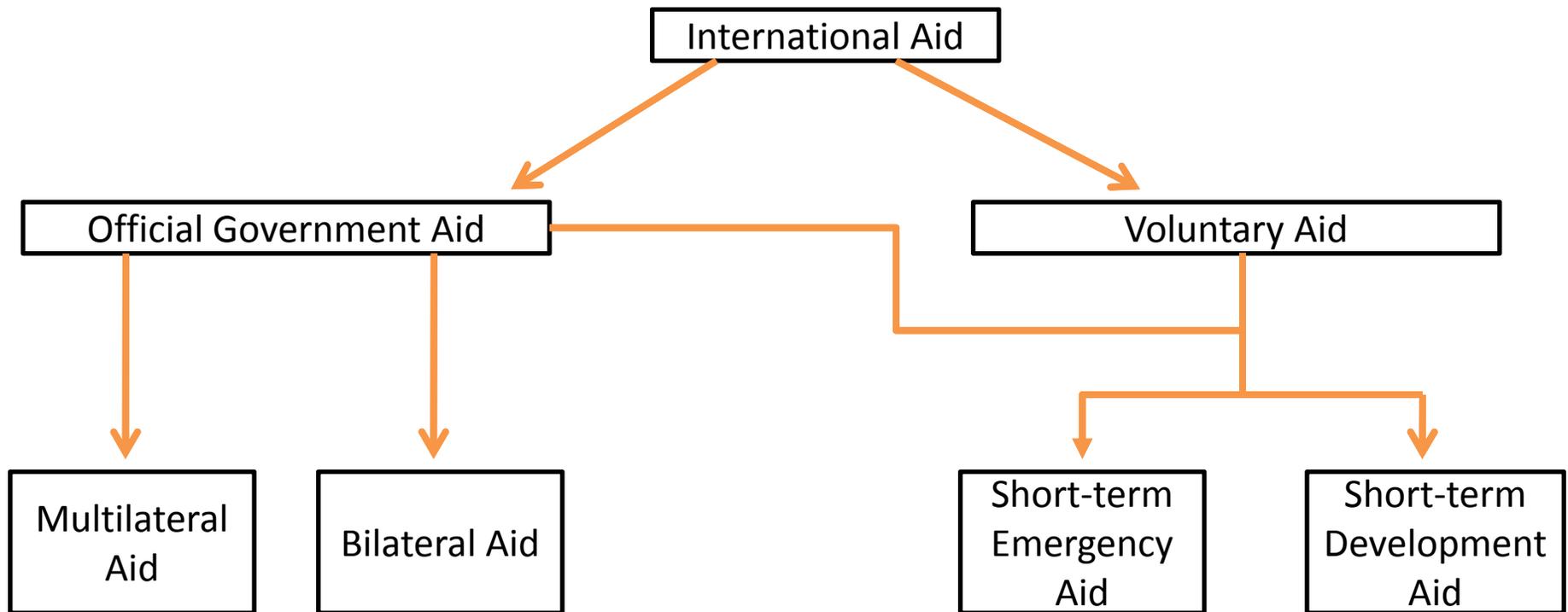
Short-term emergency aid

Is provided to help cope with unexpected disasters such as earthquakes, volcanic eruptions and tropical cyclones.

Short-term development aid:

Is directed towards continuous improvement in the quality of life in a poor country.

What are the different types of international aid?



- Multilateral Aid
- Voluntary Aid
- Official Government Aid
- Short-term Emergency Aid
- Bilateral Aid
- Short-term Development Aid

Industry - Employment Structures

- Although there are hundreds of different types of jobs that people do in every country around the world, these jobs fall under 4 categories.
 1. The primary sector
 2. The secondary sector
 3. The tertiary sector
 4. The quaternary sector
- Employment structure refers to the percentage of people within a country that work within each of the 4 sectors.

Primary Sector

Collects raw materials from the land and the sea. Farming, forestry, mining, quarrying and fishing make up most of the jobs in this sector. Some products are sold directly to the consumer but most go for processing.

Secondary Sector

Manufactures raw materials into finished products. Activities in this sector include the production of processed food, furniture and motor vehicles. Products produced in this sector are classed either as consumer goods (for sale to the public) or capital goods (for sale to other industries).

Tertiary Sector

Provides services to business and to people. Retail employees, drivers, architects, teachers and nurses are examples of jobs in this sector.

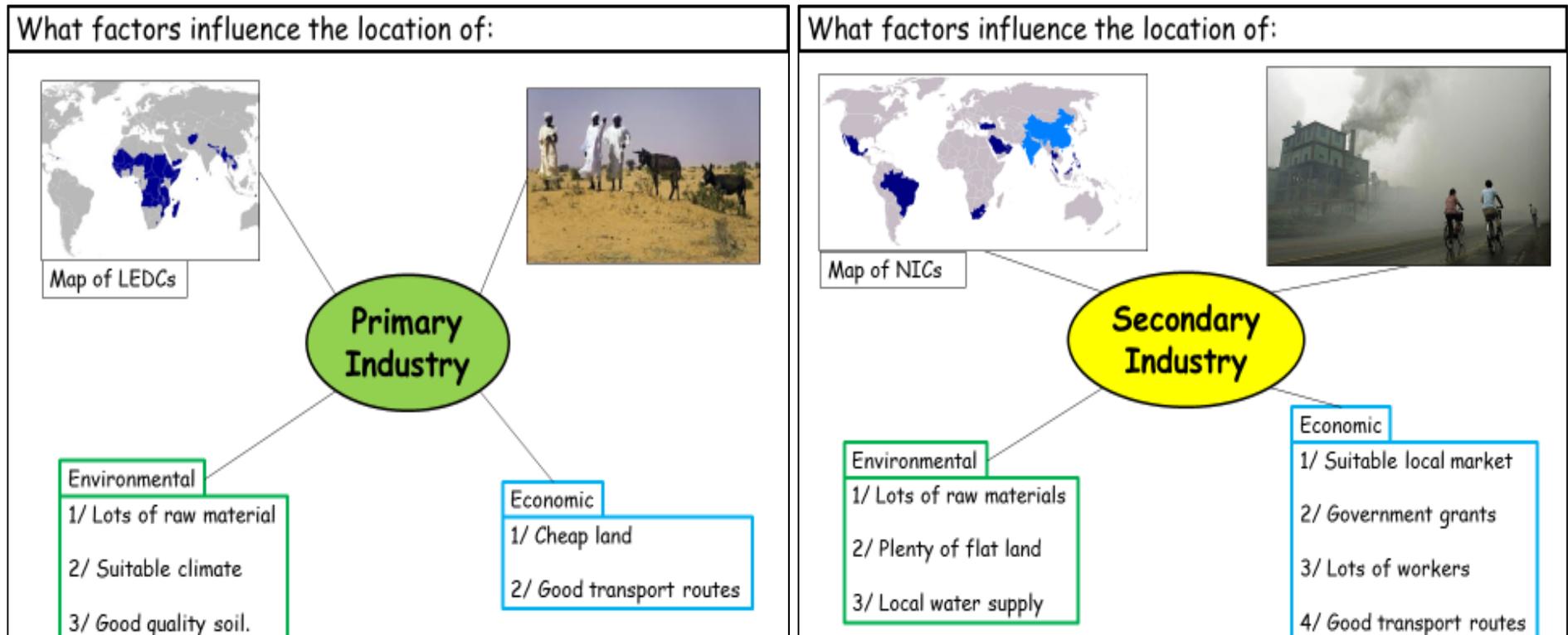
Quaternary Sector

Uses high technology to provide information and expertise. Research and development is an important part of this sector. Jobs include aerospace engineers, research scientists and biotech workers. This industry has only recently been recognised as a separate group and as a result there is not much information available on employment excludes this sector.

Post-Industrial Societies

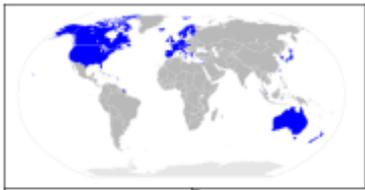
- As an economy advances, the proportion of people employed in each sector changes
- Post industrial societies are those that have moved on from being predominated by a manufacturing-based economy and one to a structure of society based on the provision of information, innovation, finance, and services.
 - Countries such as the UK and USA are post-industrial societies.

Location of industry



Location of industry

What factors influence the location of:



Map of MEDCs



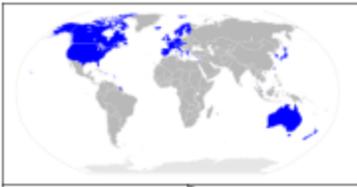
Tertiary Industry

Environmental
1/ Green open spaces (for schools...)

Social
1/ Enough local people to support the service (eg are there enough children for the school?)

Economic
1/ Suitable local market
2/ Good transport routes
3/ Skilled and educated workforce

What factors influence the location of:



Map of MEDCs



Quaternary Industry

Environmental
1/ Green open spaces (pleasant for workers)

Social
1/ Lots of nice quality housing. Encourage workers to move there.

Economic
1/ Near similar businesses (cluster)
2/ Skilled and educated workforce



What is
the link
between
these
pictures?

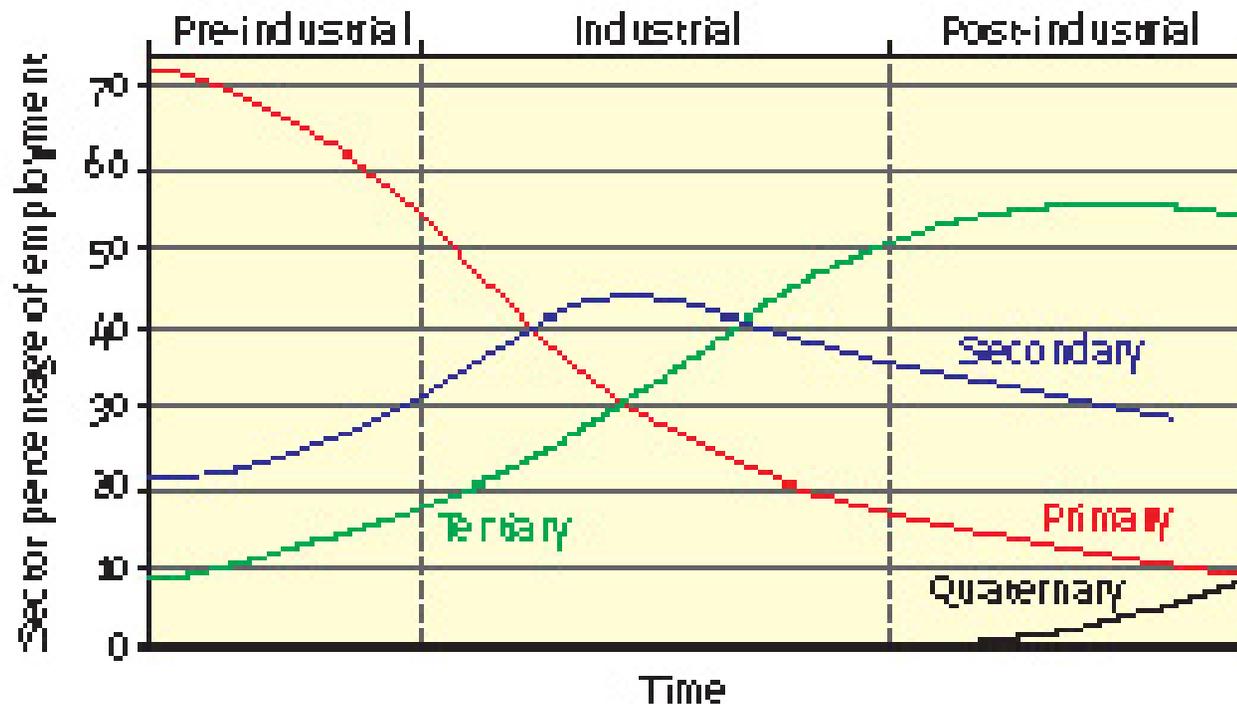
Technology and employment

- In 1900, 40% of employment in the USA was in the primary sector. Today it stands at 4%.
- A big factor has been the advancement of technology.
- Mechanisation of farming, mining, forestry and fishing drastically reduced the need for human labour in these industries.
- This has also been the case for manufacturing (secondary) as robots and other advanced machinery are increasingly used.

Outsourcing

- when companies contract out some of its work to another company.
- Work can be outsourced to companies in the same country or abroad.

The Sector Model



Draw your own copy of the sector model.

1. Describe how and why the primary, secondary, tertiary and quaternary sectors have changed over time.
2. Describe and explain what the next stage of the sector model might hold for primary, secondary, tertiary and quaternary sectors.

Multinational Companies (MNCs) and globalisation

What are MNCs?

Multinational companies (MNCs) are companies that produce goods or services in **two or more** countries.

The largest MNCs may operate in dozens of different countries.

Company	Revenue (US \$m)
1/ Wal-Mart Stores	351.139
2/ Exxon Mobile	347.254
3/ Royal Dutch Shell	318.845

What is globalisation and how is it linked to MNCs?

Definition

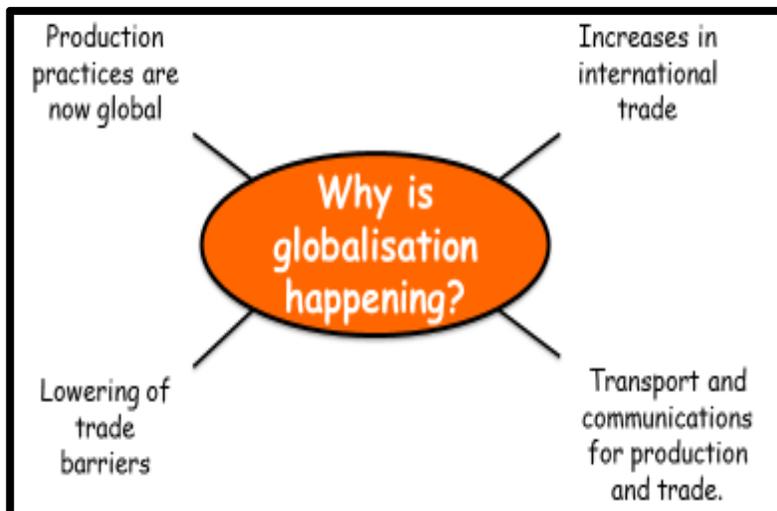
"Globalisation is the increasing interconnectedness and interdependence of the world economically, culturally and politically"

In pairs, discuss what you think 'interconnectedness' and 'interdependence' mean.

Its about all the interactions between countries across the globe

Interconnectedness - where many or all countries are connected and become one

Interdependence - the dependence between different places, i.e. countries rely on each other to get by



Point	Explain
Production practices are global	because it is easier to move materials and goods around
International trade	because generally many more countries get along and know it is better to trade than fight
Trade barriers lowered	So easier trade with countries than before and less taxes to pay for some countries
Transport and communication	Easier to move materials and communicate with different groups so that things are easily organised and to get hold of required materials

What is globalisation and how is it linked to MNCs?

- MNCs have been the main drivers of globalisation and the global shift.
- MNCs have steadily redirected investment in industry and services from MEDCs to LEDCs.
- This has significantly affected LEDCs economic development, giving rise to NICs.

- Cheaper start up costs
- Land is cheaper
- Governments provide more assistance or lower tax
- Low cost work force [low wages/ work longer hours]
- Less government interference/ fewer employment laws

Why MNCs have redirected investment to LEDCs?

Large MNCs often have 3 organisational levels:

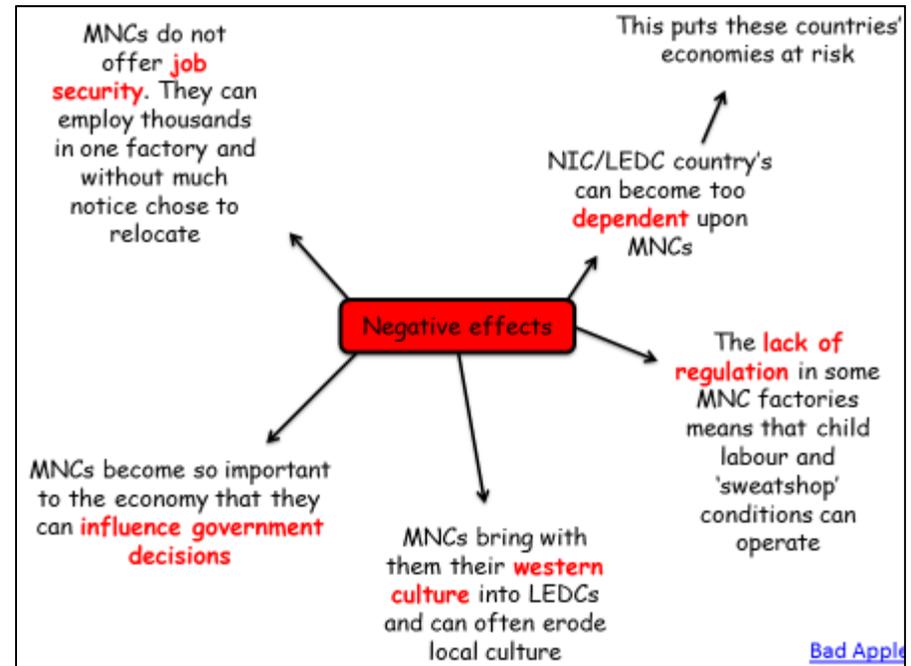
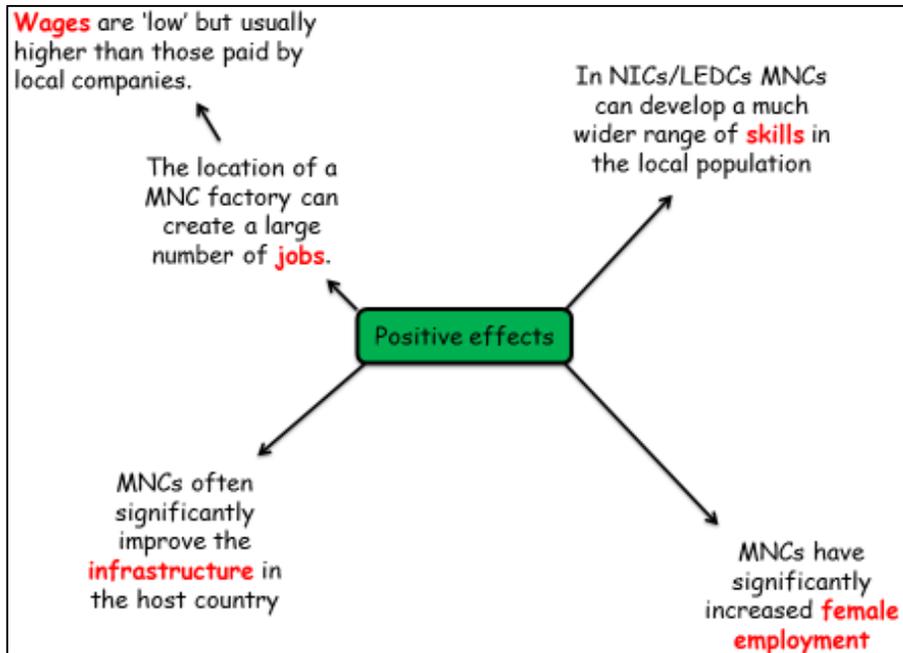
1. Headquarters
2. Research and Development
3. Branch Plants

Where (MEDCs or LEDCs) do you think each organisational level will be based?

Explain your answer.

1. The headquarters of MNCs are generally located in world cities [London/ New York] where the company was established **because** this is where the most skilled or educated people can be found to make decisions for the company
2. Research & development is generally also located in MEDC world cities (San Francisco/ Beijing) **because** the most educated/ skilled people can be attracted to large cities to design the best products
3. Branch Plants are the first to be located abroad (Bangladesh/ Mexico/ rural China) because it is cheaper to make the product/ lower employment costs/ governments provide lower taxes.

The Pros and Cons of MNC Investment



Environmental impacts of GLOBALISATION

1. Carbon emissions – transporting materials from country to country increases the amount of carbon dioxide which adds to global warming
2. Waste – more products are available to more people which have become cheaper over time SO people throw more away which increases waste in landfills
3. Deforestation – certain countries like Brazil/ Indonesia clear forests to grow more crops or mine SO this destroys habitats and reduces biodiversity