



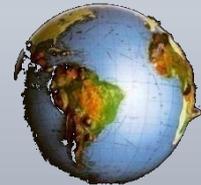
Test Yourself: Economic Development

Economic growth without social progress lets the great majority of people remain in poverty, while a privileged few reap the benefits of rising abundance.

-John F. Kennedy

What influences economic activity?





Influences on economic activity include:

- a state's access to human, natural and capital resources
 - Do they have a skilled workforce?
 - Do they have natural resources?
 - Are their transportation and communication networks modern, outdated or nonexistent?
 - Do they have access to new technology?
- a state's location and ability to exchange goods
 - Are they landlocked?
 - Are they an island or coastal state?
 - How close are they to shipping lanes?
 - What is their access to communications?
- a state's membership in a political or economic alliance - such as the EU or NAFTA - that provides access to markets



What are the various levels of economic activity?



The **levels of economic activity** include

- primary
- secondary
- tertiary
- quaternary / quinary

What is the primary level of economic activity?

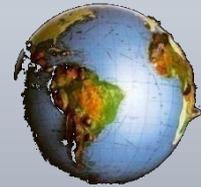




Primary activities are those parts of the economy involved in making natural resources available for use or further processing.

They are activities dealing directly with the removal of natural resources ... for example, fishing, hunting, subsistence agriculture, farming, mining, quarrying, forestry, etc.

Primary activities are of most importance to less developed states.



What is resource dependency?



Resource dependency involves:

- importance of primary activities to developing economies
- heavy reliance on one specific resource
 - food
 - precious metal or stone
 - oil or a petroleum-related product
- downturn in the market or a blight leads to big financial and social problems



What is the secondary level of economic activity?



Secondary activities are activities involving the manufacturing and processing of natural resources ... for example, steel mills, automobile assembly, sawmills, handicrafts, oil refining, etc.



What is the tertiary level of economic activity?





Tertiary activities

- include wholesale trade, retail trade, transportation, government services, etc
- fulfill exchange function, provide market availability of commodities and bring together consumers and providers of services
- service industries ... for example, transportation, retail trade, informational, technology services, etc
- education, research and development, and information technology most important in the *postindustrial* core regions
- found in developed countries (although less developed countries often develop tourism)

What are quaternary and quinary levels of economic activity?





Quaternary activities include processing knowledge and information, research and gathering and disseminating information, administration of other economic activity levels (often considered a specialized subdivision of tertiary activities), and those white collar professionals in government agencies, management, information processing jobs, research, education and etc.

Quinary activities are a sometimes separately recognized subsection of tertiary activity management functions and include management functions involving the highest levels of decision making in all types of large organizations.

What are the effects of unequal distribution of resources?





Because **resources are distributed unequally** around the world, several things happen.

1. interdependence of states ... must trade with each other to acquire the goods they do not possess
2. uneven economic development (rich states and poor states)
3. energy producers and consumers
4. imperialism (one state dominating another)
5. conflicts over control of resources
6. causes states to specialize in the goods and services they produce
7. allows some states to make a profit



**What is one way to compare
the well-being of one country
to another?**



One way to compare the well-being of one country to another is to compare the **Gross Domestic Product (GDP) per capita** of each country.

GDP per capita correlates with other quality-of-life measures.

What are the problems involved in comparing GDPs per capita?





There are some **problems** in comparing GDPs, such as measurement errors (especially with LDCs), income distribution, fluctuations in exchange rates and differences in living standards.

What are industrially advanced countries (IACs)?





IACs are high-income nations that have market economies with technologically advanced capital and well-educated labor.

Also referred to as MDCs – most developed countries.

Current IACs include the United States, Canada, Australia, New Zealand, Japan and most of the countries of Western Europe.

What are less-developed countries (LDCs)?





LDCs are economies based on agriculture or another primary activity and lacking technology, advanced capital and well-educated labor.

LDCs find themselves in a vicious cycle of poverty ... a trap in which countries are poor because they cannot afford to save and invest, but they cannot save and invest because they are poor.

Among those countries classified as LDCs are most of the countries of Africa, Asia and Latin America.

What are some measures of economic development?





Measures of economic development include:

- GNP / GDP / GNI per capita
- population growth
- occupational structure of the labor force
 - primary activities (extraction)
 - secondary activities (manufacturing)
 - tertiary activities (service)
- skilled labor



Measures of economic development include:

- education level / literacy rate
- urbanization
- consumption per capita
- investment in technology
- infrastructure
- access to natural and capital resources
- international trade

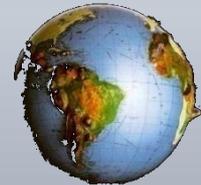


Measures of economic development include:

- standard of living
- quality of life.
- political cultures that place value on law and order
- population growth rate
- infant mortality rate
- age distribution
- various other social conditions

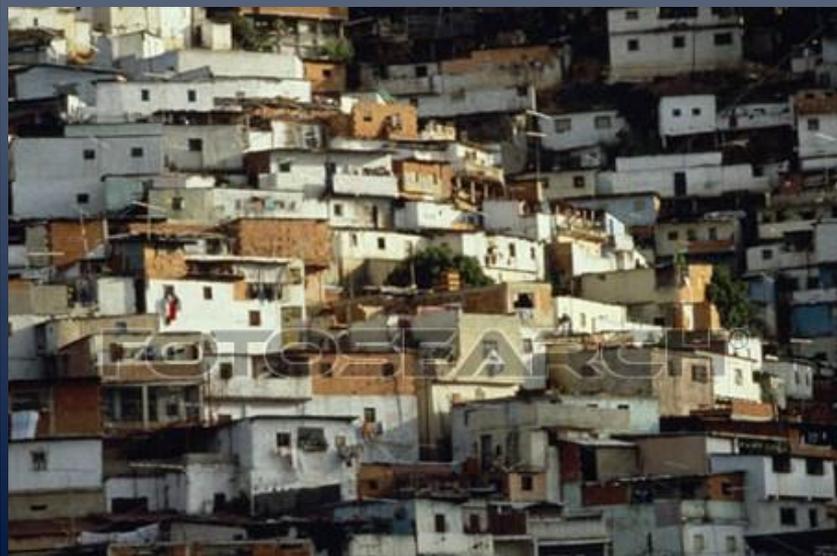
What are quality of life indicators?





Individual **quality of life indicators** include life expectancy, adult literacy, daily calorie supply, energy consumption per capita and others.

There have been numerous attempts in recent decades to formulate composite indices of progress to supplement or supplant GDP.



What positions do advocates of development take?





Advocates of development claim that:

- all states must and will progress through the same. development stages
- the whole world is steadily modernizing
- everyone will reach a level of high consumption eventually
- some states are slower than others (but it's their own fault)

What are the stages of development?





The **stages of development** include:

1. *traditional society*
2. *preconditions for take-off* – commercial exploitation of agriculture and extractive industries
3. *take-off* – development of a manufacturing sector
4. *drive to maturity* – development of a wider industrial and commercial base
5. *high mass consumption*

What are the two common strategies for economic development?





Two strategies for economic development are

- *export-oriented industrialization*
 - emphasizes production for export
 - few restrictions on imports
 - leading development strategy today
- *import-substitution industrialization*
 - restricts imports to generate a domestic market for the state's products
 - common in the past, less common today

Economic Development Strategies

**Where does development
generally begin within a
country?**





Within a country, development generally begins in **urban industrial areas**. Production, reliant on cheap labor, then flows outward.



What are some of the problems associated with development?





Some of the **problems associated with development** are:

- profits leave the LDC (no investment in community — just investment for business purposes)
- agglomeration in urban areas leads to over-urbanization
- rural poor head to cities for jobs
- formation of megacities: Rio de Janeiro, Buenos Aires, Sao Paolo, Calcutta, etc
- shantytowns, favelas
- not nearly enough jobs to support growing urban populations

Problems with Development



Some of the **problems associated with development** are:

- lack of market (abandonment of rural areas for city)
- lack of access to market / exports
- can't compete with large agricultural corporations
- lure of jobs / possibilities in big city – most end up worse (no job, no land, nothing to go back to)
- abundance of cheap labor keeps wages very low
- situation worsens, greater need for more development?

Problems with Development

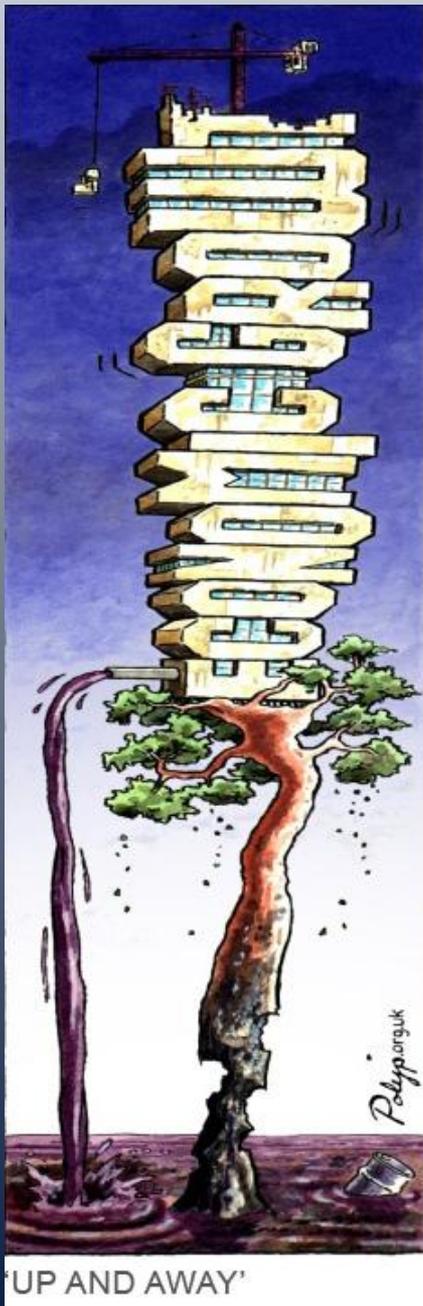


Some of the **problems associated with development** are:

- early starters have huge advantage
 - economic inertia – easier to continue current process / structure / methods of exploitation than start new
- late starters actively kept out of IAC “club”
 - political or military pressure / control
 - LDC leaders often supported to ally their personal interests with those of the IAC, not with own people
 - financial interests of IACs
- Ultimately, why would IACs want to change current system?



How did you do?! If you didn't do as well as you'd like, review the margin notes and presentations and test yourself again.



CONTINUED IN
TEST YOURSELF:
ECONOMIC GROWTH