**Development**

Some key questions in this unit:

1. What is development? How is it measured?
2. What are the differences between the least and most developed countries?
3. How important is money in shaping outcomes?
4. How does development happen?

Development defined: A process of improvement with respect to a set of values. Value judgements are inescapable elements of study in the social sciences.

Examples of value laden statements:

1. “A society should be judged primarily by how well it helps its most vulnerable members.”

 infant mortality rates

child poverty rates

2. “A society should be judged primarily by the size of its average income, rather than by who gets what”

3. “Free markets make for democratic societies with high levels of well being.”

1. "Rats and roaches live by competition under the laws of supply and demand; it is the privilege of human beings to live under the laws of justice and mercy." - Wendell Berry

A key question for development studies is: “In what sectors should the government play a significant role, and in what sectors should it not”? OR: to what degree should government be involved…?

3. As an example of values in development thinking, consider country x:

The wealthiest 10% in country have been getting wealthier quite rapidly. The poorest 50% have seen their share of national income shrinking. Most economists predict continuation of these trends.

The costs of health care, college, and housing have been rising faster than inflation, and this is restricting the population’s ability to access them. The current tax system (all federal, state, & local taxes included) taxes the richest 10% at about the same proportion of their income as it does the poorest 50% (overall a “flat” tax). The current tax system has been in place for nearly a decade, and during that decade there was strong economic growth. This country has tax rates that are lower overall than other similar countries, particularly on high income earners. Most of the poor are employed but do not earn enough money to escape poverty.

What would you, as a policy maker, do?

1. leave things generally as they are
2. raise taxes a little bit on the rich, and use the proceeds to finance better access to health care and a college education for all
3. change the tax system by reducing federal taxes for almost everyone. The new system shifts a large share of the tax bill away from corporations and the wealthy, to the middle class. Wealthy stock market investors will now have lower federal % tax rates on their income than the middle class. Aid for college educations cut by states and at federal levels.
4. other

What nation is this hypothetical country x, and when?

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The 3 Worlds

First: industrialized, market-based, “developed” countries

Second: centrally controlled economies, communist

Third: countries not First or Second World, are “developing” or “underdeveloped”, “Global South”

Economic Measures of Development:

1. per capita income (based on gross domestic product GDP), which is value of all goods and services produced in one year)

 -geographic distribution

-weaknesses of measure:

-tells little about internal income distribution

-doesn’t adjust for different costs of goods & services or exchange rates (when comparing countries)

2. purchasing power parity [http://en.wikipedia.org/wiki/List\_of\_countries\_by\_GDP\_(PPP)\_per\_capita](http://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28PPP%29_per_capita)

-cost of goods and services relative to income

thus generally preferred over per capita income

-similar distributional problems as per capita income

3. technology & labor productivity (usually associated with increasing earnings). See graph in folder.



Proxy indicator: median hourly wages (note are also influenced by factors such as supply and demand of labor)

4. per capita energy use (gapminder “income and energy use per person”)

electricity use per person [www.bit.ly/gT9Ixn](http://www.bit.ly/gT9Ixn)

1. % of workers in agriculture

[www.bit.ly/euuiKb](http://www.bit.ly/euuiKb)

 (most useful in comparing poor countries) (fig 10-11) or

(% of GDP in agriculture)

 -related concept: landlessness in poor regions

6. nutrition

Per capita Calorie avail: [www.bit.ly/djYf4u](http://www.bit.ly/djYf4u)

-importance of access

1. Urbanization
2. income inequality, wealth inequality,

Gini index

1. economic/social mobility

see graph: <http://www.epi.org/publication/usa-lags-peer-countries-mobility/>

-overall, the most extreme inequality is not seen in democratic countries

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Non-economic measures of development:

1. education

2. health care access <http://www.pbs.org/wgbh/pages/frontline/sickaroundtheworld/view/>

3. public services

-drinking water

-waste disposal systems

-electricity access

-cell phone access

-internet access

4. demographic

-**infant mortality**: reflects sanitation, diet, economic security of mother and household unit, social support, access to medical care, substance abuse [www.bit.ly/akUKPW](http://www.bit.ly/akUKPW)

-life expectancy [www.bit.ly/1JL44cc](http://www.bit.ly/1JL44cc)

-% dead before 60 or 65 yrs. (reflects life-course deprivation better than life expectancy)

5. crime/incarceration/safety

Homicide [www.bit.ly/A5AGO8](http://www.bit.ly/A5AGO8)

Incarceration (see data table in dev. Folder)

6. gender equality/empowerment

[www.bit.ly/zZEf9W](http://www.bit.ly/zZEf9W)

% of seats held in highest parliamentary body (house)

7. social mobility see graph:

<http://www.epi.org/publication/usa-lags-peer-countries-mobility/>

MULTIPLE FACTOR ASSESSMENTS

UN Human Development Index

categories:

1. life expectancy

2. literacy

3. purchasing power parity

To see the HDI for the “median person” in each country, see:

<https://en.wikipedia.org/wiki/List_of_countries_by_inequality-adjusted_HDI>

scores ranked from 0 to 10

Why are some countries more developed than others?

Explanations (causes) of underdevelopment:

-environmental determinism?

-resource poverty?

-cultural factors?

-overpopulation/underpopulation?

-colonialism

-dependency

The Rostow Model of Economic Development

-growth happens in stages:

1. the traditional society

-subsistence ag.

-poorly developed commercial economies

-most work done by human or animal power (low technology)

-political power mostly held by rural landlords

2. preconditions for takeoff

-ag. output increases, surplus used for:

-transportation and legal infrastructure

3. takeoff to sustained growth

-a key “propulsive” industry generates growth in other types of manufacturing

-human and natural resources utilization increases

-per cap energy consumption continues to increase

4. drive to maturity

-economy continues to diversify, primary production as a share of total economy continues to decline

5. mass consumption: consumer goods and services rival heavy industry in importance, basic needs of most of population exceeded

6. the postindustrial: services & quaternary sector become increasingly dominant

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THE CORE AND THE PERIPHERY

**core**: industrialized nations, the “north”

control most technological development, control global politics, have financial capital, mass consumer markets

**periphery**: developing countries, the “south”. Abundant labor supply. Some regions have abundant natural resources- much of which is supplied to core countries.

two views:

1. dev. of the core has in general been beneficial for the poorer periphery

2. poverty of periphery has been caused by core’s exploitation

**The Role of Trade in Development**

Internation trade approach vs. self-sufficiency

1. Int. Trade: economic dev. driven by concentration of scarce resources into industries that have comparitive advantages. Exports a focus. Profits then can be used to finance more dev.

comparitive advantage and specialization: (example)

problems:

1) if price of exports drops...

 2) market stagnation in the core

Hong Kong, Taiwan, S. Korea, Singapore

2. Self-sufficiency approach:

international trade restricted

-balanced investment in diverse industries, economy financed by “natural” growth

-country not dependent on foreign markets and capital

Problems:

-inefficient industries, technological stagnation

-controlling economy: large bureaucracy (India)

-economies of scale may be limited

how to finance econ. dev: a summary

1. profits from national ag & industry

2. profits from exports

3. international lending

4. international direct and portfolio investment

How can we compare the levels of development of high income countries?

What indicators would be useful?

the declining commodity terms of trade explanation:

-peripheral countries export mostly raw materials, while the core exports mostly mfg. products

-if real prices of raw materials drop more than prices of mfg goods, then...?

-a critique:

commodity terms of trade = 100 x Ep/Ip

Ep = Export Price Index

Ip = Import Price Index

-a counter critique

towards development (Harrison 1985)

-is a process of millions of small breakthroughs, of which are encouraged by the expression of human creative capacity through:

1. creation of an environment in which people expect and receive fair treatment

2. an effective and accessible education system

 problem solving, dissent, creativity

3. availability of health services

4. encouragement of experimentation and criticism

5. matching of skills and jobs (no nepotism)

6. a system that rewards achievements

7. stability and continuity

in the mid-1980s, Harrison found that the top 15 countries in terms of per-capita GNP scored reasonably high in all of these seven categories

“Sustainable” Development