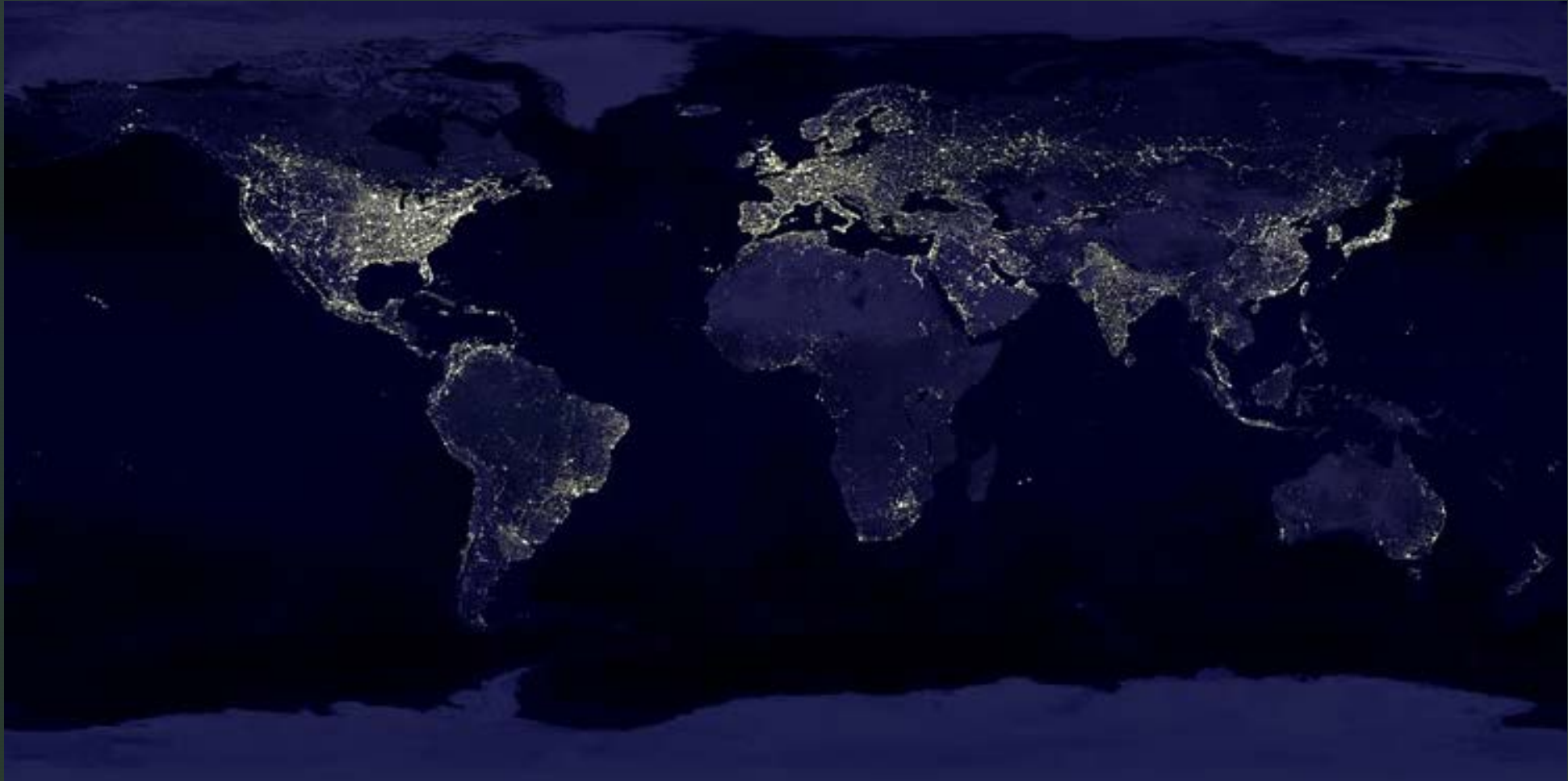
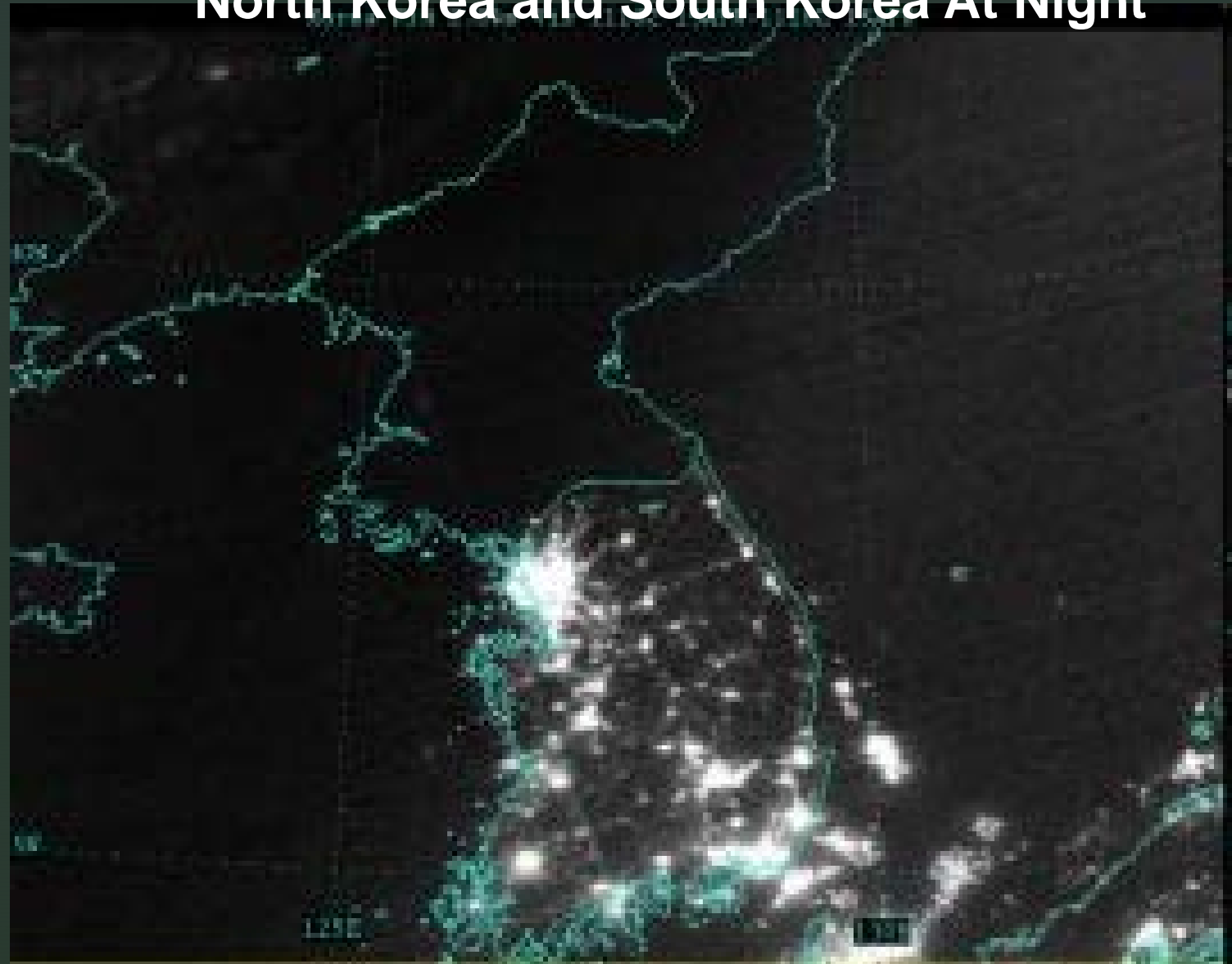


The World at Night



North Korea and South Korea At Night



Global Inequalities

- 54% of global income goes to just 10% of the world's people, while 40% receive just 5% of global income
- There are 2.5 billion people in the world today living on less than \$3 per day
- The largest 500 transnational corporations make up over 70% of world trade.

The United Nations Millennium Development Goals

[8.11] United Nations Millennium Development Goals

1 Eradicate extreme poverty and hunger

- Reduce by half the proportion of people living on less than a dollar a day
- Reduce by half the proportion of people who suffer from hunger

2 Achieve universal primary education

- Ensure that all boys and girls complete a full course of primary education

3 Promote gender equality and empower women

- Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015

4 Reduce child mortality

- Reduce by two-thirds the mortality rate of children under 5

5 Improve maternal health

- Reduce by three-quarters the **maternal mortality ratio**

6 Combat HIV/AIDS, malaria and other diseases

- Halt and begin to reverse the spread of HIV/AIDS
- Halt and begin to reverse the incidence of malaria and other diseases

7 Ensure **environmental sustainability**

- Integrate the principles of sustainable development into country policies and programs; reverse loss of environmental resources
- Reduce by half the number of people without sustainable access to safe drinking water
- Achieve significant improvement in the lives of at least 100 million slum dwellers, by 2020

8 Develop a global partnership for development

- Develop an open trading and financial system that is rule-based, predictable and does not discriminate
- Deal with developing countries debt problems
- Provide access to affordable essential drugs in developing countries

Source: United Nations, *Human Development Report*, 2003

Poverty

- **Absolute poverty**- people do not have the means to secure the necessities of life.
- **Relative poverty**- people can afford necessities but are unable to maintain an average standard of living.
- **Subjective poverty**- actual income compared with income earner's expectations.

Characteristics of Developing Nations

- Lack of a **tax base**
- Poor **Infrastructure**
- Poor education systems
- Extreme regionalism
- Prohibitive value systems pitting one group against another
- Very little national cohesion
- Traditional female roles
- Long period of colonialism (independence only came in the late 20th Century)
- Still maintain their dependence on former colonial powers

Human Development Index (HDI)

Criteria for measuring a country's level of development:

- life expectancy
- education
- living standards

The Triumphs and Tragedies of Globalization

- International trade and investment have increased rapidly. From 1982 to 2006, worldwide investment across national borders increased by 2,114%.
- Many more international organizations and agreements now span the globe. In 1981, about 14,000 international organizations existed. By 2006, there were over 50,000. Individual nation-states give up some of their independence when they join international organizations or sign international agreements.

Many people oppose globalization because...

- Inequality between rich and poor countries remains and is decreasing, but slowly
- It may be hurting local cultures and the natural environment.
- Some suggest that globalization is a form of imperialism, which is the economic domination of one country by another.
- It contributes to the “homogenization” of the world, the cultural domination of less powerful by more powerful countries.

World Systems and Dependency Theory

- <https://www.youtube.com/watch?v=79gCqjl6ihQ&t=510s>

Theories of Global Inequality

- Development and Modernization Theory
- Dependency Theory
- World System Theory

Development and Modernization Theory

Four Stages of Economic Development:

1. **Traditional stage** -very little social change takes place and people do not think of changing their present circumstances.
2. **Take-off stage** - period of economic growth accompanied by a growing belief in individualism, competition, and achievement.

Development and Modernization Theory

. Four Stages of Economic Development:

3. **Technological maturity**- the country improves in technology, reinvests in new industries, and embraces the values and institutions of high-income developed nations.
4. **High mass consumption** - a high standard of living that encourages consumption

Modernist Theory: A Functionalist Approach

Modernist theory beliefs:

- Global inequality results from various dysfunctional characteristics of poor societies.
- They lack a Western mentality: values that stress the need for savings, investment, innovation, education, high achievement, and self-control in having children.
- People living in rich countries can best help poor countries by transferring Western culture and capital to them and eliminating the dysfunctions.
- Only then will the poor countries be able to cap population growth, stimulate democracy, and invigorate agricultural and industrial production.

Dependency Theory

- Disputes that economic growth is the key to meeting important human needs in societies.
- Argues that the poor nations are caught in a cycle of structured dependency on the richer nations.
- Most often applied to the newly industrializing countries.

Dependency Theory: A Conflict Approach

Dependency theory:

- For the past 500 years, the most powerful countries in the world deliberately impoverished the less powerful countries.
- An adequate theory of global inequality should not focus on the internal characteristics of poor countries themselves.
- Instead it ought to follow the core principles of conflict theory and focus on patterns of domination and submission.

Dependency Theory: A Conflict Approach (Cont.)

- Beginning around 1500, the armed forces of the world's most powerful countries subdued and then annexed or colonized most of the rest of the world.
- Around 1780, the Industrial Revolution began. It enabled the Western European countries, Russia, Japan, and the US to collect enormous wealth, which they used to extend their global reach.
- They forced their colonies to become a source of raw materials, cheap labor, investment opportunities, and markets for conquering nations.
- Exploitation by direct political control was soon replaced by new means of achieving the same end: substantial foreign investment, support for authoritarian governments, and mounting debt.

World System Theory

Three types of nations:

- **Core nations**- possess most of the world's capital and technology.
- **Semi-peripheral nations**- a midpoint between the core and peripheral.
- **Peripheral nations**- dependent on core nations.

Core, Periphery, and Semi-periphery

- Immanuel Wallerstein argues that capitalist development resulted in a world system composed of three tiers:
 - **core capitalist countries** - major sources of capital and technology
 - **peripheral countries** - major sources of raw materials and cheap labor
 - **Semi-peripheral countries** - former colonies that are becoming prosperous

- The semi-peripheral countries differ from the peripheral countries in 4 main ways:
 - Type of colonialism
 - Geopolitical position
 - State policy
 - Social structure

Globalization Causing Homogenization

- Globalization is homogenizing the world.
- Many economic and financial institutions around the world now operate in roughly the same way – much like the US.
- McDonalidization: “the process by which the principles of the fast-food restaurant are coming to dominate more sectors of American society as well as the rest of the world.”
- Because of McDonalization, the values of efficiency, calculability, and predictability have spread from the US to the entire planet and from fast-food restaurants to virtually all spheres of life.

▶ New International Division of Labor

- Production is fragmented and assigned to whichever part of the world can provide the most profitable combination of capital and labor.
- High-income countries have become dependent on low-income countries for labor.

Levels of Global Inequality

- The richest 1% of the world's population earns as much income as the bottom 57%.
- The top 10% of US income earners earn as much as the poorest 2 billion people in the world.
- Of the world's 6.5 billion people, around 1 billion live on less than \$1 a day and 2.6 billion live on less than \$2 a day.
- The citizens of 20 rich, highly industrialized countries spend more on cosmetics or alcohol or ice cream or pet food than it would take to provide basic education, or water and sanitation, or basic health and nutrition for everyone in the world.
- Just 10% of the world trade in narcotics or 5% of world military spending could supply these necessities to the world's desperately poor.

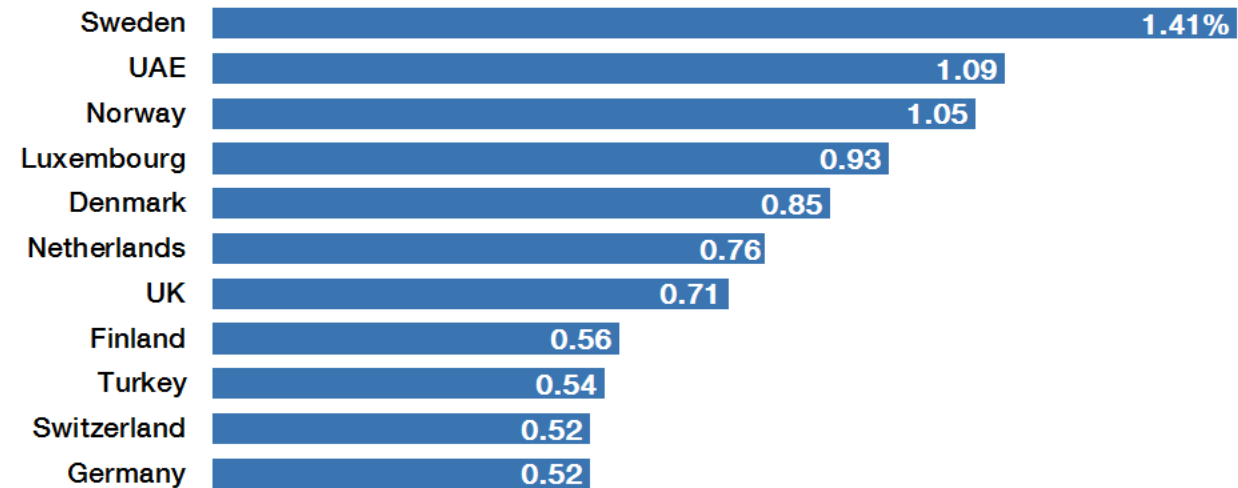
Do foreign investment and liberalized trade policies have positive or negative effects today?

- **Modernization theorists** want more foreign investment in poor countries and freer trade.
 - They strongly believe that following these policies will promote economic growth and general well-being.
 - They want trade and investment barriers to be dropped so free markets can bring prosperity to everyone.
- **Dependency theorists** dramatically oppose this strategy.
 - They think foreign investment drains the wealth out of poor countries.
 - Therefore, they want the poor countries to rebel against the rich countries, throw up barriers to free trade and investment, and find their own path to well-being.

Foreign Aid

Foreign aid: These countries are most generous

Net overseas development assistance, percentage of gross national income, 2015



Source: OECD

US gives about 0.17% (2015) of GNI

Global Reform?

- Four types of actions of globalization reform:
 - Foreign aid
 - Debt cancellation
 - Tariff reduction
 - Democratic globalization.

Foreign Aid

- Foreign aid is often accompanied by high administrative and overhead costs.
- It is often given on condition that it be used to buy from donor countries goods that are not necessarily high-priority items for recipient countries.
- Foreign aid can be beneficial with oversight to ensure that foreign aid is not wasted and is directed to truly helpful projects.
- Increasing the amount of foreign aid *and redesigning its delivery* can help mitigate some of the excesses of neoliberal globalization.

Debt Cancellation

- Many analysts argue that the world's rich countries and banks should write off the debt owed to them by developing countries in recognition of historical injustices.
- They reason that the debt burden of the developing countries is so burdensome that it prevents them from focusing on building economic infrastructure, improving health and education of their populations, and developing economic policies that can help them emerge from poverty.

Tariff Reduction

- The reduction of tariffs by rich countries because these tariffs prevent developing countries from exporting goods that could earn them money for investment in agriculture, industry, and infrastructure.

Democratic Globalization

- Research shows that democracy lowers inequality and promotes economic growth.
- Democracies make it more difficult for elite groups to misuse their power and enhance their wealth and income at the expense of the less well to do.
- They increase political stability, so to provide a better investment climate.
- They tend to enact policies that are more responsive to people's needs and benefit a wide range of people from all social classes.

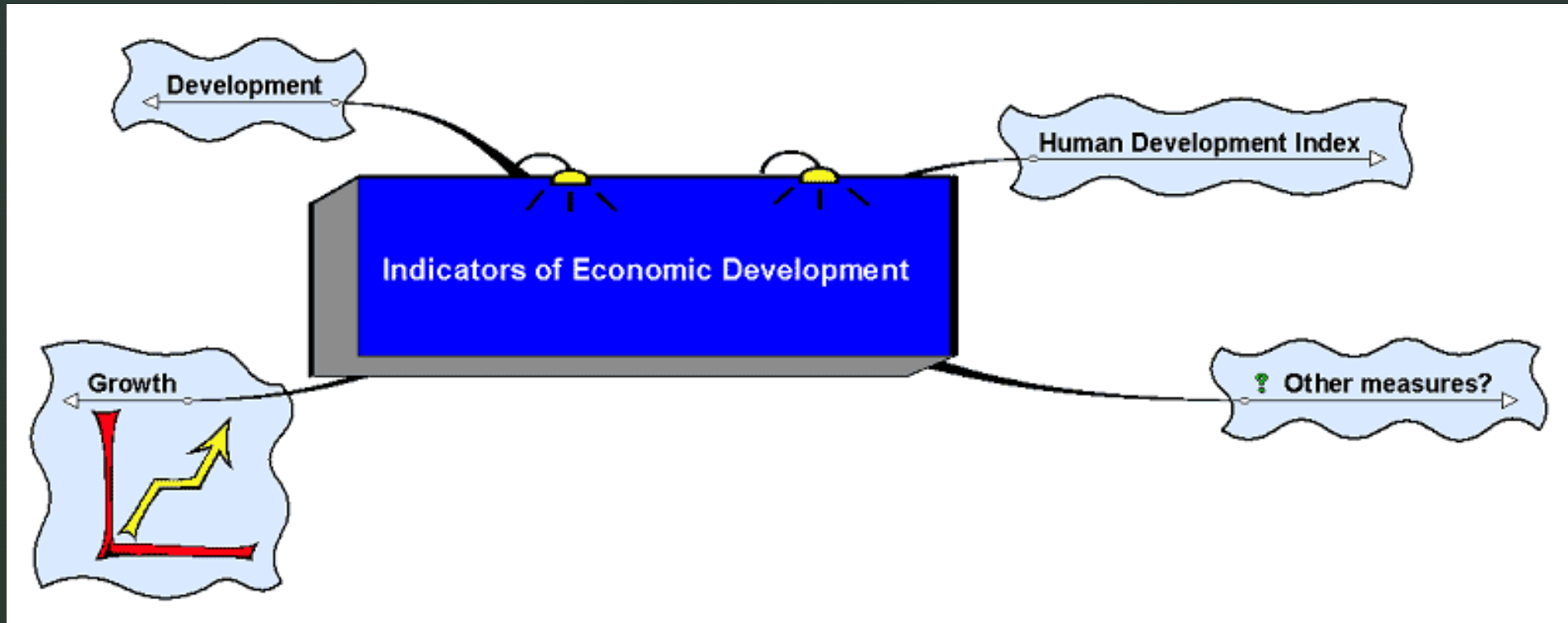
- Fair Trade vs Free Trade?



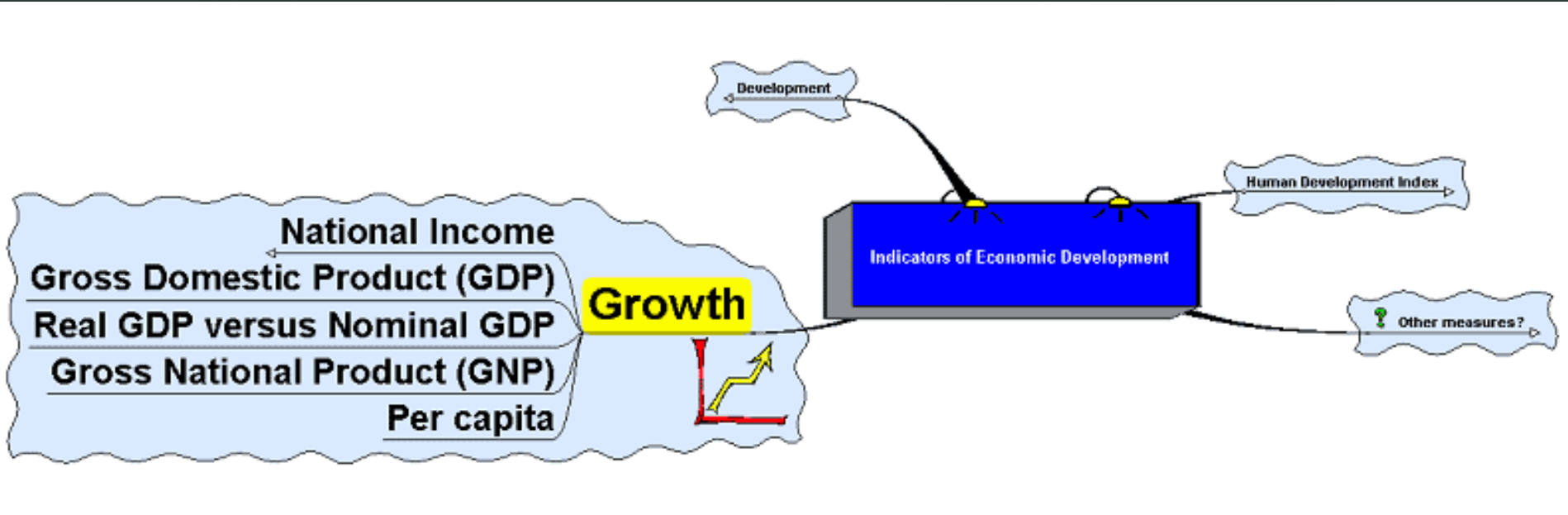
Growth versus Development

- Economic growth may be one aspect of economic development but is not the same
- **Economic growth:**
 - A measure of the value of output of goods and services within a time period
- **Economic Development:**
 - A measure of the welfare of humans in a society

Indicators of Economic Development



Growth



National Income – Problems with using GDP/GNP

- **Reliability of data?**
 - How accurate is the data that is collected?
- **Distribution of income?**
 - How is the income distributed – does a small proportion of the population earn a high percentage of the income or is income more evenly spread?
- What is actually produced does not always have a monetary value e.g. subsistence farming.

National Income – Problems with using GDP/GNP

- **Quality of life?**
 - Can changes in economic growth measure changes in the quality of life?
 - Does additional earnings power bring with it additional stress, increases in working hours, increased health and family problems?
- **Impact of exchange rate?**
 - Difference in exchange rates can distort the comparisons – need to express in one currency, but which one and at what value?

National Income – Problems with using GDP/GNP

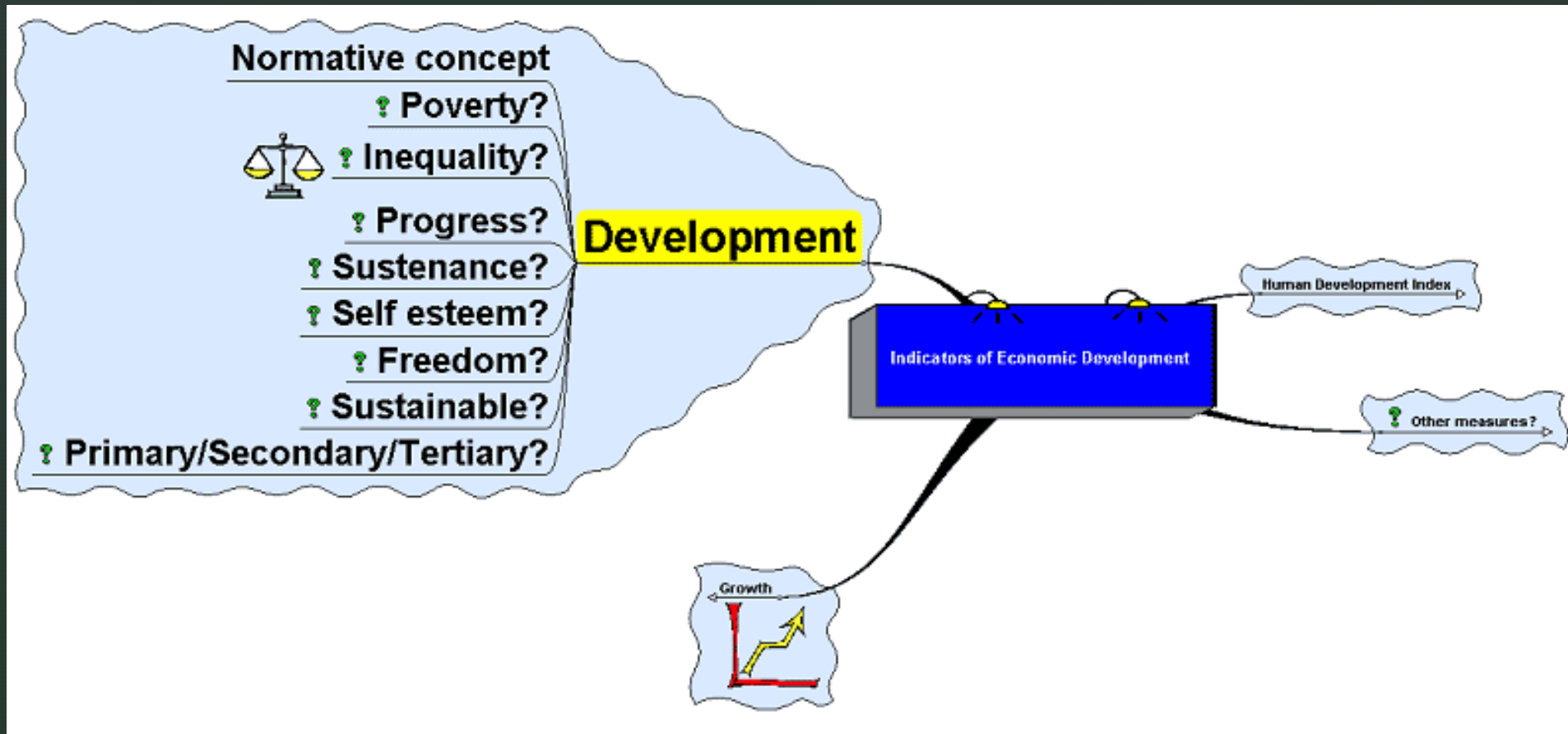


Children in Sierra Leone dig for diamonds. This activity is illegal and goes unrecorded and is not therefore part of the national income but may be the only source of income for some of these children.

Title: Sierra Leone Liberia. Copyright: Getty Images available from <http://edina.ac.uk/eig>

- Black/informal economy?
- Some economic activity not recorded – subsistence farming and barter activity, for example
- Some economic activity is carried out illegally – building work ‘cash in hand’, drug dealing, etc.
- Work of the non-paid may not be considered but may contribute to welfare – charity work, housework, etc.

Development





Development

- Development incorporates the notion of a measure/measures of human welfare
- As such it is a normative (establishing a norm) concept – open to interpretation and subjectivity
- What should it include?

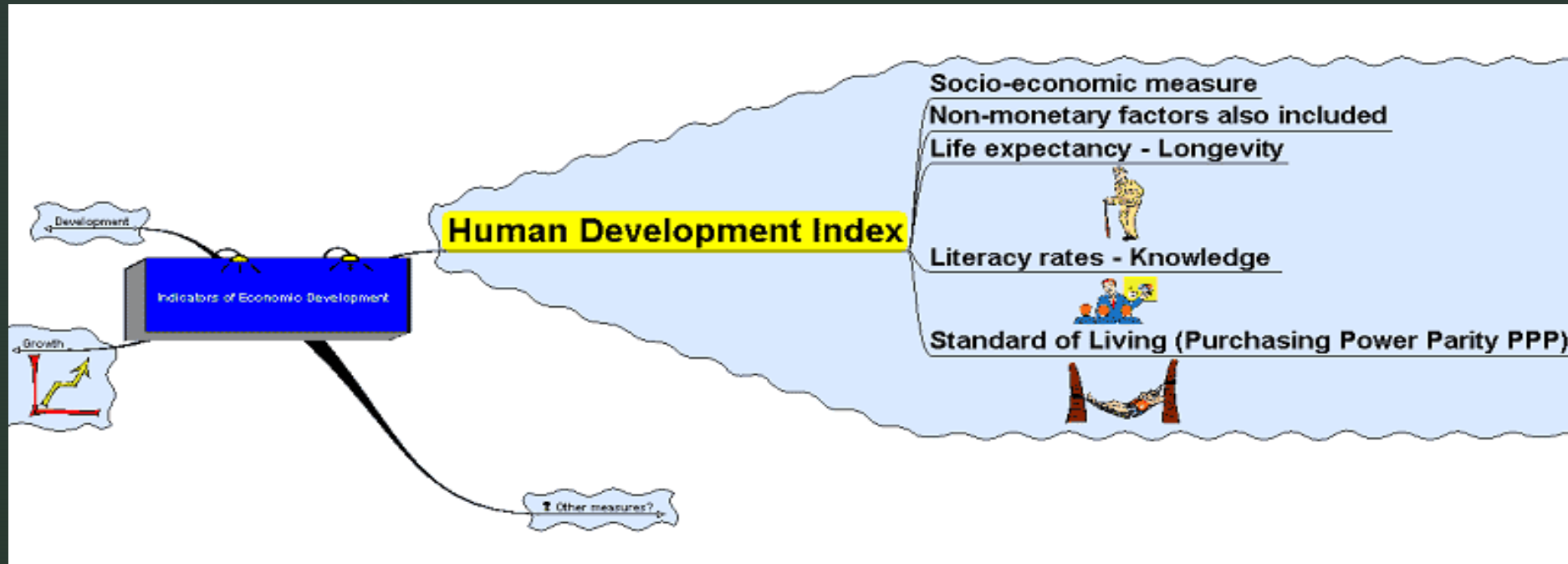
Development?



Other considerations of human welfare:

- Political freedoms?
- Sustenance?
- Sustainable development?
- Self esteem?
- Proportion of activity in different sectors of the economy:
 - Primary
 - Secondary
 - Tertiary

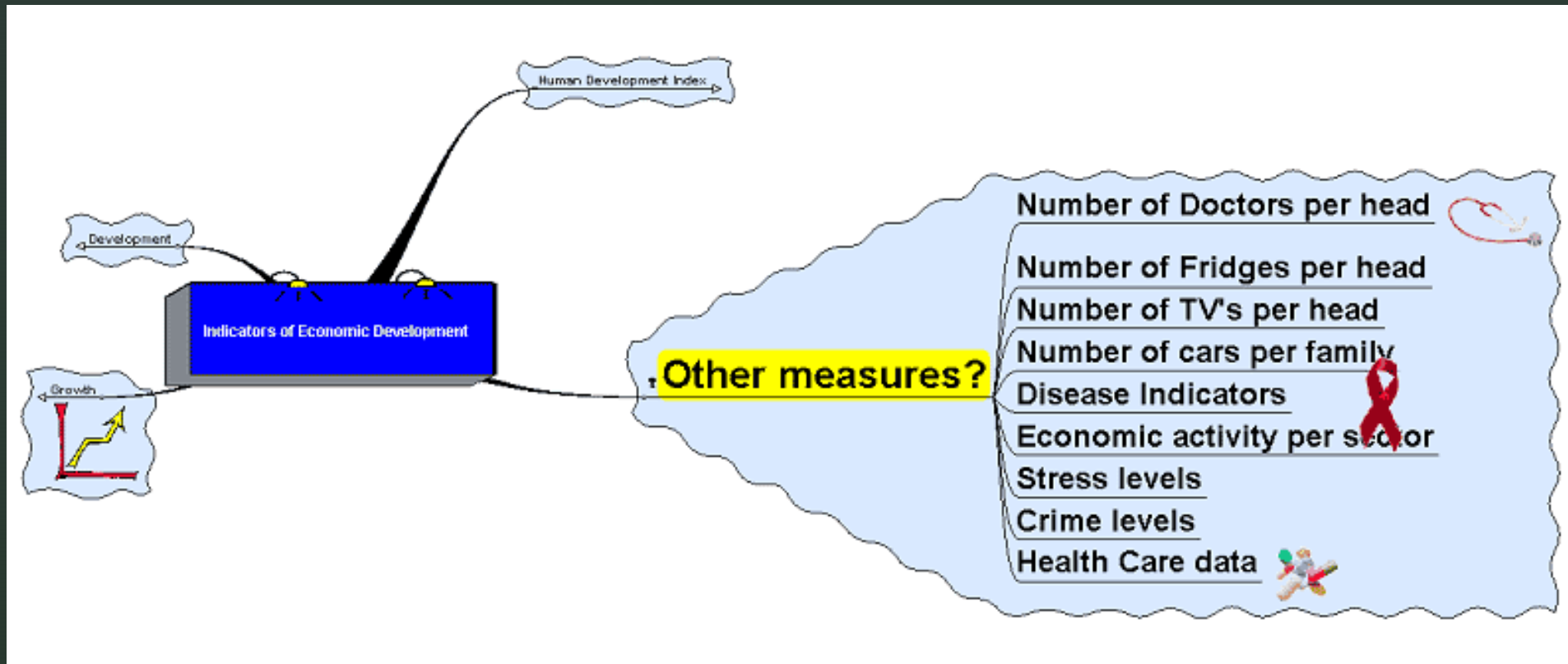
Human Development Index



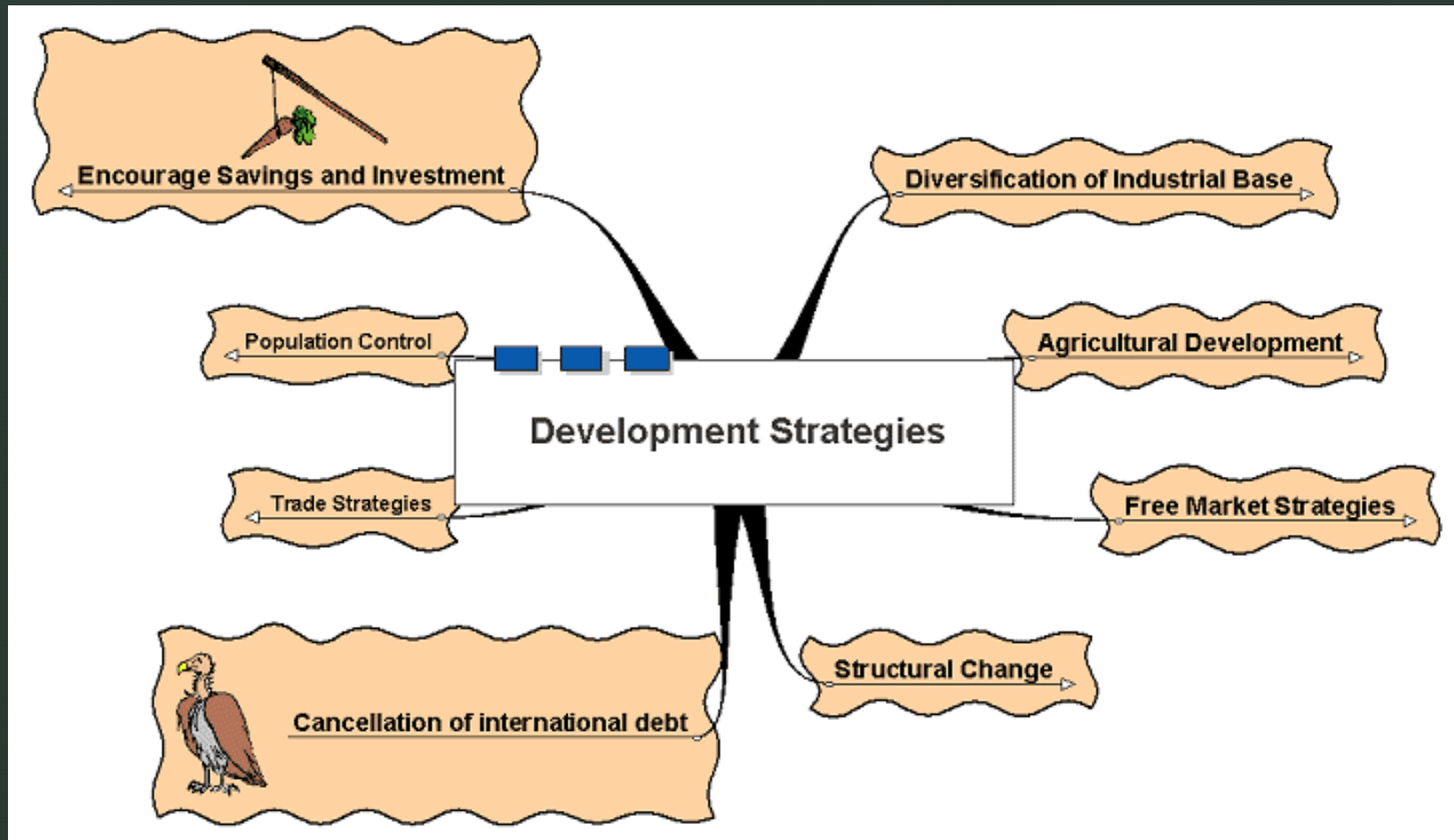
Human Development Index (HDI)

- HDI – A socio-economic measure
- Focus on three dimensions of human welfare:
- **Longevity** – Life expectancy
- **Knowledge** – Access to education, literacy rates
- **Standard of living** – GDP per capita: Purchasing Power Parity (PPP)

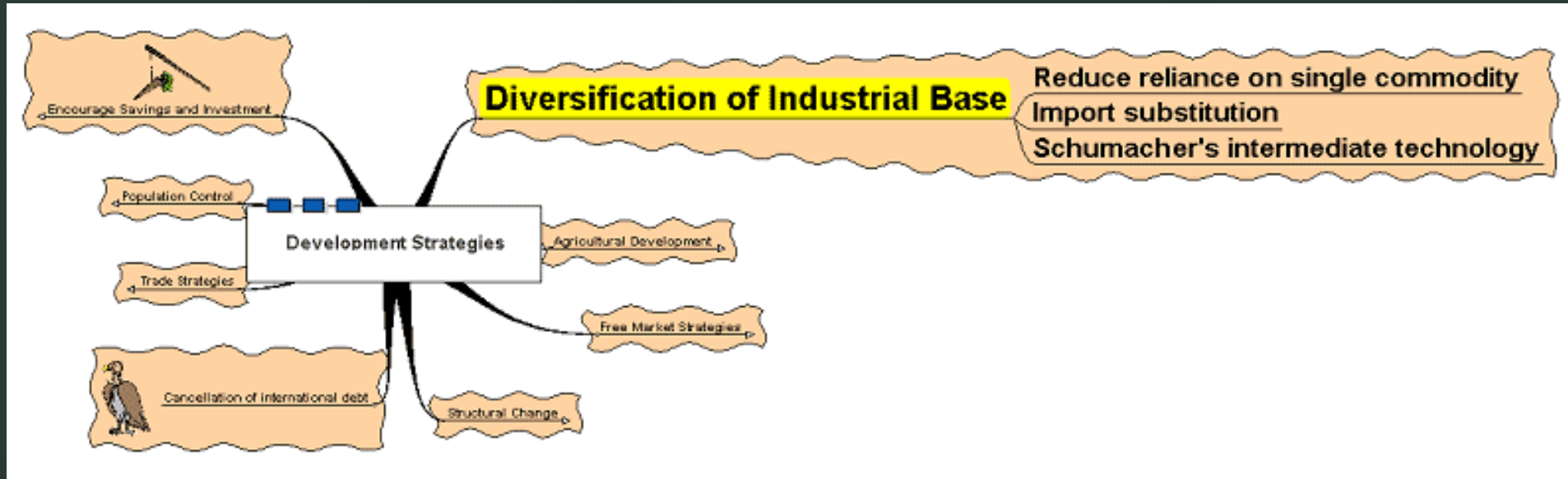
Other Measures?



Development Strategies



Diversification of Industrial Base



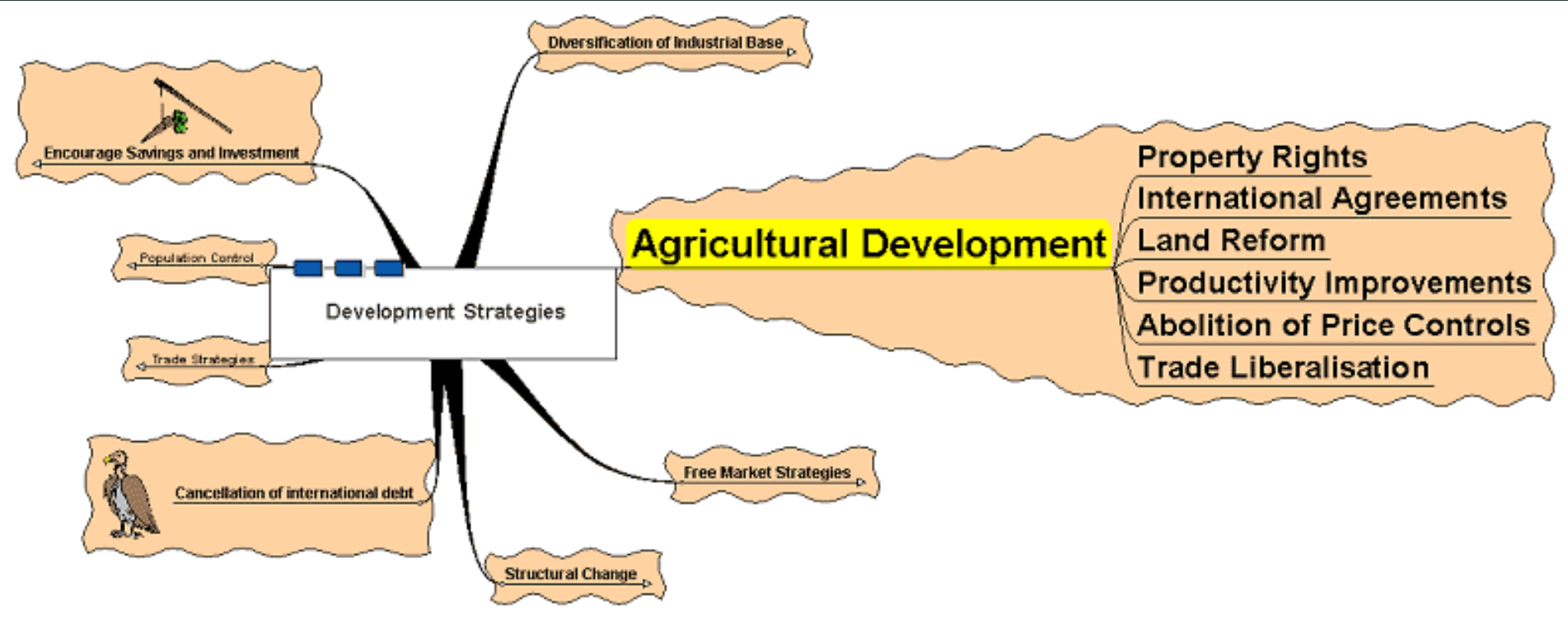
Diversification of Industrial Base



Copper production in Zambia – over-reliance on primary products whose prices are determined by world demand can cause problems for developing countries

- Many developing countries too reliant on primary commodities
- Subject to wide price fluctuations and instability
- Expansion of industrial base would help avoid over-reliance on these commodities

Agricultural Development



Agricultural Development

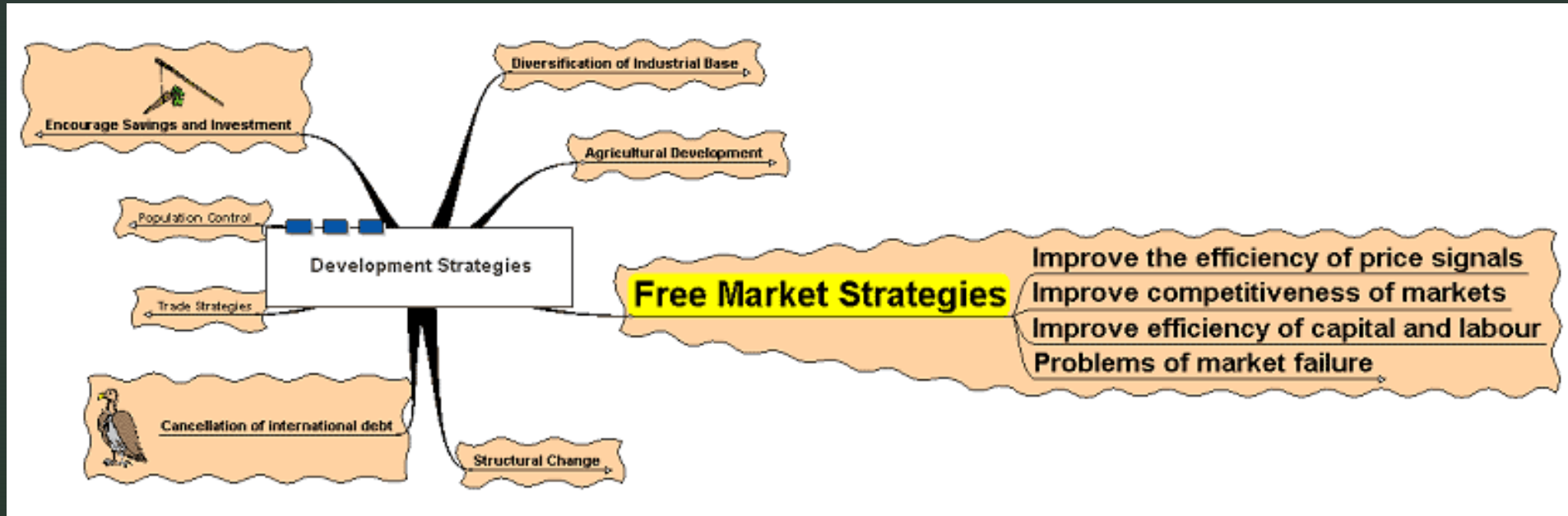


Finding ways of improving agricultural production and productivity may be one route to promoting economic development.

Copyright: Kippoad, stock.xchng

- Property rights – who has the right of ownership?
- Land reform – part of the process but not forced (i.e. Zimbabwe)
- International agreements – abolition of price controls and trade liberalisation, buffer stock schemes
- Productivity improvements – investment in capital, quality seed, etc.

Free Market Strategies



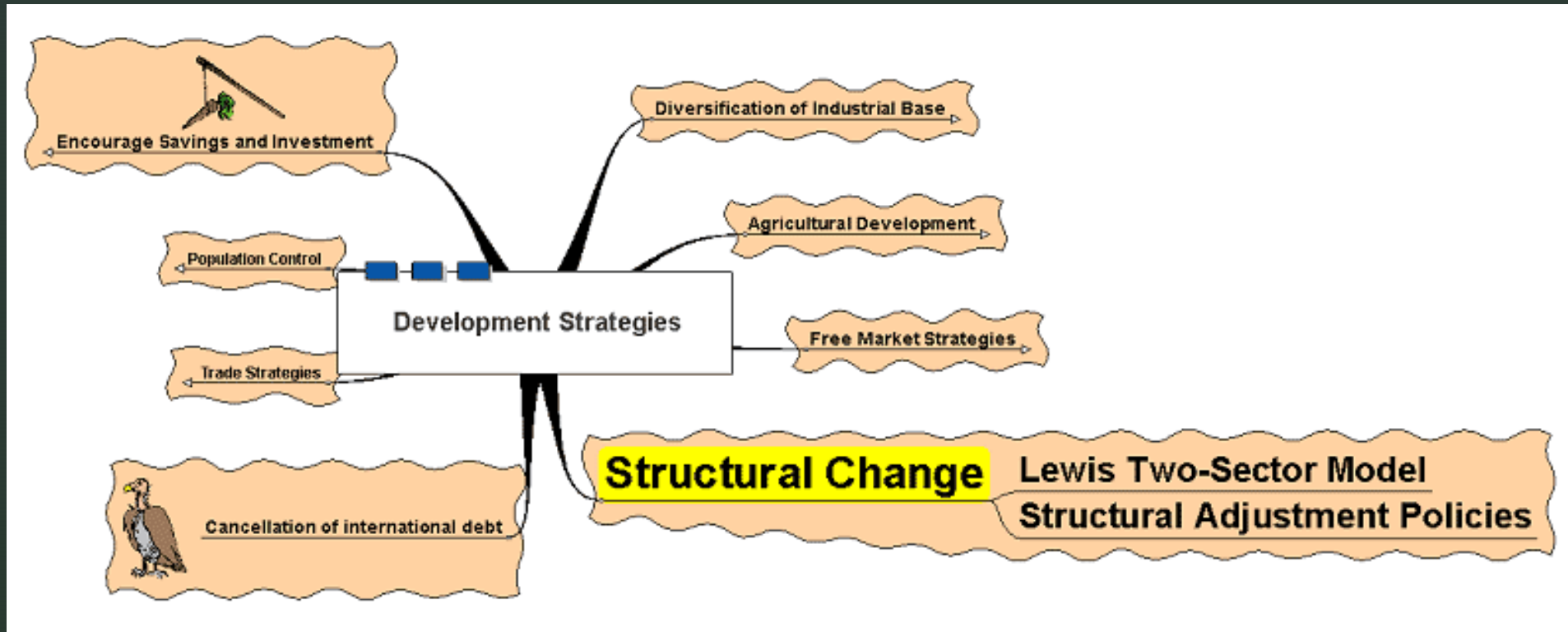
Free Market Strategies

- Opening up developing countries' markets to competition
- Improvement of the price mechanism – aim to improve efficiency in the allocation of resources and the use of capital and human resources
- But:

Problems of market failure

- Externalities:
 - Pollution
 - Environmental Degradation
- Public goods/merit goods – who will provide if the state cannot afford to fill the gap?
- Period of time to adjustment might mean that large sections of the population would suffer

Structural Change





Structural Change

- Structural Adjustment Policies (SAPs)
- Plan for economic recovery
to make the country creditworthy again and to put in place
the conditions for sustainable economic growth

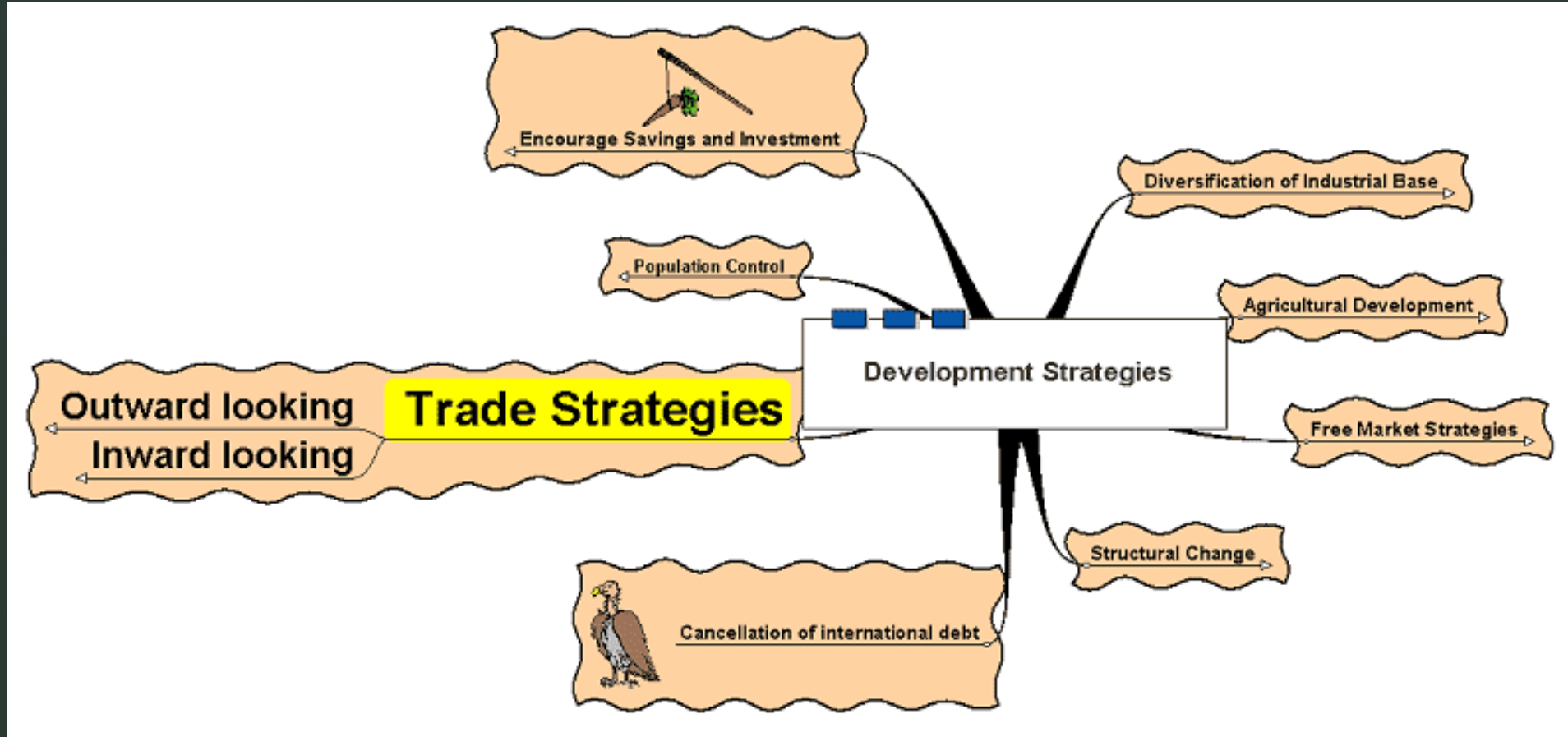
Structural Change

- Loans from IMF – in return:
 - Remove import controls
 - Make exchange rates fully convertible – often means devaluation of the currency
 - Privatisation programme
 - Cutting of subsidies
 - Deregulation of markets
 - Balancing national budgets

Structural Change

- Problems:
 - Prices tend to rise as subsidies removed and currency devalues
 - Cuts in government spending and rise in taxes hits the most vulnerable
 - Deflationary policies tend to cause unemployment
 - Social unrest can be common
 - Living standards fall

Trade Strategies



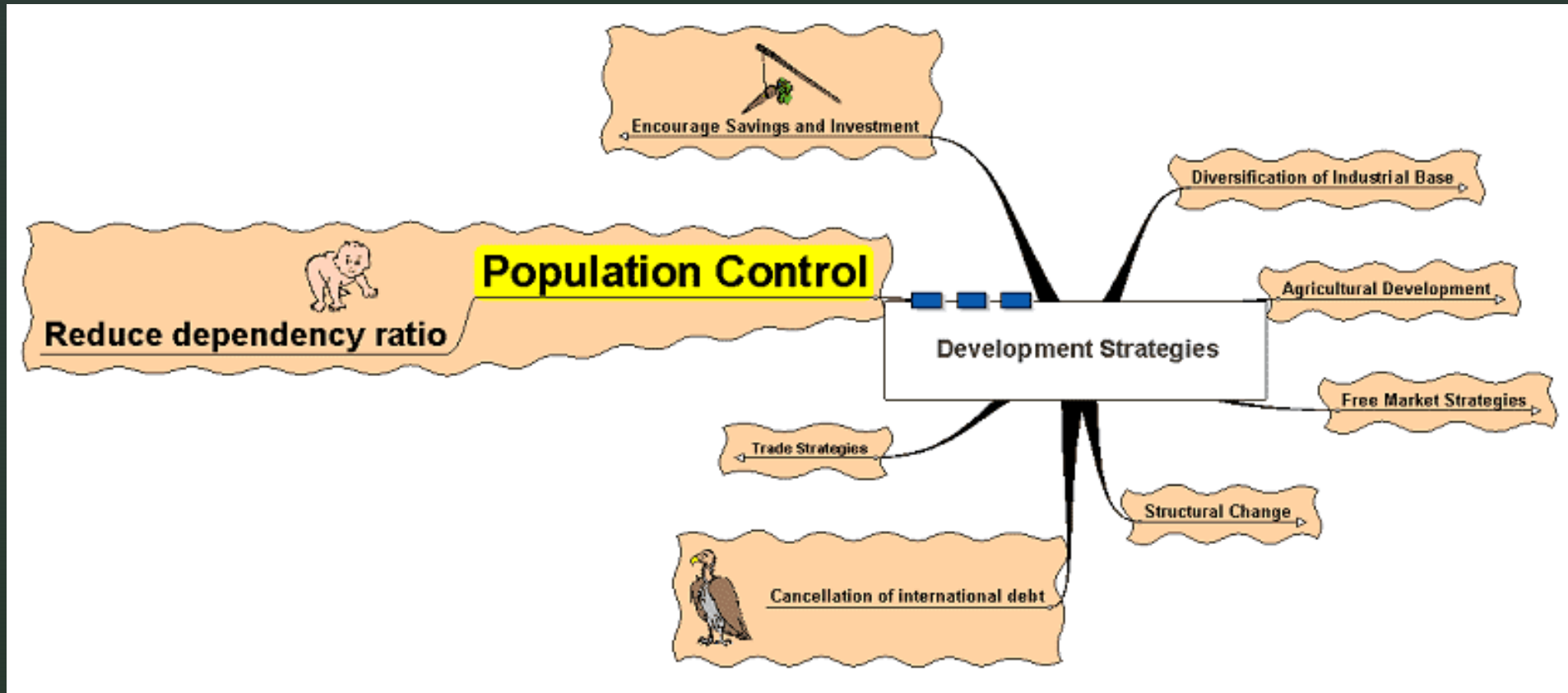
Outward looking

- Reducing the levels of protection
- Encouraging investment flows
- Publicising the country's trade and goods
- Economies of scale
- Competition stimulates efficiency

Inward looking

- Erect protective barriers
- Subsidise domestic producers
- Import substitution

Population Control



Encourage Savings and Investment

