

Need to Know

Comparative Advantage

Def: the ability of a country to produce a particular good at a lower opportunity cost than others (b/c they're focusing on something else).

Sig. it allows LDCs (that otherwise wouldn't have an advantage) to specialize in an industry, which sparks development

Complementarity

Def: the relationship between two countries when one has a surplus of a product or service and the other a deficit.

Sig: It is a prerequisite of trade.

Dependency Theory

- The theory that developed countries and powered elites exploit and subjugate other populations and regions to secure for themselves a continual source of resources & wealth.
- Sig. Economic reliance by the periphery on the core countries for technology, FDI & demand for their exports.

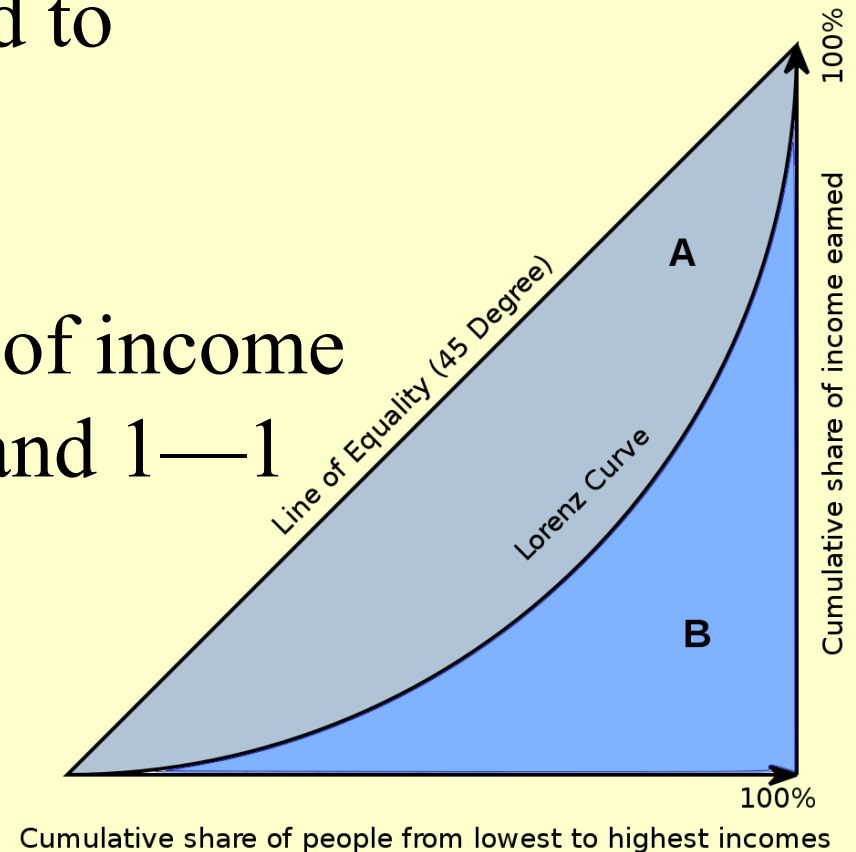
Gender Inequality Index (GII)

- Includes:
 - Maternal death rate & adolescent fertility
 - Education attainment & parliamentary participation v. men
 - Labor force participation rate v. men
- Sig: Gender equality assists development and reduces population pressures

Gini Coefficient

Def: an equation that is used to measure the equality of the distribution of something.

Ex: it can measure equality of income or racial segregation (b/t 0 and 1—1 being the most unequal).



Gross Domestic Product (GDP)

- The value of the total output of goods and services produced in a country in a given year (regardless of who produces it).
- Dividing the GDP by a nation's total population gives us the per capita GDP

Human Development Index(HDI)

- A measure of a country's standard of living using its per capita GNI, years of education (current & future) & life expectancy.
 1. OECD Countries = .879
 2. Latin America & the Caribbean = .704
 3. Europe & Central Asia = .702
 4. East Asia and the Pacific = .643
 5. **World = .624**
 6. Middle East = .588
 7. South Asia = .516
 8. Sub-Saharan Africa = .389

* Obviously you don't have to memorize the regions' HDI numbers

Import Substitution Industrialization (ISI)

- Def: A development strategy whereby an LDC tries to promote its own industries instead of importing manufactured goods from the core.
- Sig: this form of protectionism was popular during the 1970s with socialist regimes
- AKA: balanced growth approach or self sufficiency approach

Millennium Development Goals

- Goals
 - Eliminate extreme hunger & monetary poverty
 - Universal elementary education
 - Improve maternal health & gender equity
 - Combat HIV?AIDs, malaria, etc.
 - Ensure environmental sustainability
 - Creation of a global partnership for change
- Sig: LDCs had to honor human rights & root out corruption & MDCs needed to give money & promote accountability

New International Division of Labor

-Def : Transfer of some types of jobs, especially those requiring low-paid, less-skilled workers, from more developed to less developed countries

-Sig : Transnational corporations allocate production to low-wage countries through out sourcing. (AKA global commodity chain)

Rostow's Development Model

- A five stage model for economic development from a traditional society to a consumer society

1 Traditional Society- high level of agriculture and capital devoted to non-productive activities (LDCs)

2 Preconditions of Takeoff- investment in innovative technologies and infrastructure increases, roads and irrigation (LDCs)

3 Takeoff- rapid growth comes from a few activities, textile or food production, these industries become competitive (NICs)

4 Drive to Maturity- Efficiency spreads to other industries and workers become more specialized (MDCs)

5 Age of Mass Consumption- shift to heavy industry and consumer products (MDCs)

World Systems Theory

Def: the world is divided into core (powerful), periphery (weak) & semi-periphery (both) spheres. The spheres are connected through an international division of labor.

Sig: Core (MDCs, W.E., N.A. & Japan), Periphery (LDCs) and semi-periphery (NICs, China)

Should Also Know

Asians Tigers

- S. Korea, Taiwan, Hong Kong and Singapore
- Sig: Concentrated on producing a handful of manufactured goods (e.g clothing, electronics) Cheap labor enabled them to sell products inexpensively to MDCs.

Austerity

Def: governments reduce spending on education, health, etc. in order to reduce debt.

Sig: often the IMF requires austerity measures in order to get loans.

Autarky

- The idea that a country should be self-sufficient and not take part in international trade.
- Ex. India and China, historically constructed barriers to improve their domestic economy

Calorie Consumption

- A percentage of daily requirement is an important index of development.
- Sig: People in MDCs generally consume more than 130% of their daily requirements, but most people in LDCs barely get enough to sustain themselves.

Cultural Convergence

- The sharing of technology, organizational structures & cultural traits among cultures
- Sig. Toyota visiting the US and modeling its production after Piggly Wiggly stores

Debt trap

- Syndrome of always having to borrow in order to develop or even just to “service” the interest on previous loans.
- Ex. Many LDCs pay b/t 20-40% of government revenue in interest payments.

Development

- The extent to which resources of a place have been brought to full use (e.g. production or education)
- Sig: often measured with HDI or per capita GNI

Economic Sectors

- Primary: Extraction of natural resources (agro, mining & fishing)
- Secondary: Manipulating natural resources (manufacturing & assembling of goods)
- Tertiary: Sale and exchange of goods and services (haircuts and accounting)
- Quaternary: Involves the handling and processing of information (information technology & education)

Energy consumption

- The use of energy as a source of heat or power for manufacturing and transportation processes
- Ex. High consumption of fossil fuels by MDCs for housing, etc. LDCs often use bio fuels (found wood, dung & agricultural waste)

Fair Trade

- Emphasizes small and worker owned and cooperatives. Requires employers to pay workers fair wages, permit union organizing and comply with minimum environmental and safety standards.
- Fair trade coffee/chocolate may be more expensive, but the producers earn more because the middleman is cut out; better quality product

Foreign Direct Investment (FDI)

- Investment made by a foreign company into the economy of another country.
- Ex. Wal-Mart buying and investing in products (food, shoes, electronics, etc.) in China.

Gender Empowerment Measure (GEM)

- Compares the ability of women to participate in economic and political decision making.
- Ex: Countries with high GEMS are MDCs like North America, Northern Europe, and South Pacific. Low scores are in Africa and Asia
- Replaced with the GII

Gender Related Development Index (GDI)

- Compares the level of development (HDI) of women with that men.
- MDC' s female life expectancy is 6 years longer than men' s. In LDCs the difference is only a year or two.
- Replaced with the GII

Gross National Product (GNP)

- The dollar value of all final goods and services produced during a year by a nation's people (regardless of where it is produced).
- Product made in Mexico by US firms would go towards the U.S. GNP.

Less Developed Countries

- *Def*: Countries that are in the early stages of development
- The population of an LDC is mostly in the primary sector (often subsistence)

More Developed Countries

-*Def* : a country that has progressed relatively far along a continuum of development (high per capita GDP & HDI)

-*Sig* : Northern countries (U.S. Canada, Europe Soviet Union and Japan) also, Australia and New Zealand. All other countries & regions are classified as LDCs

Neocolonialism

- *Def*: Initial dependence on the colonizer set into motion a type of economic development that continues to render them economically dependent
- *Sig* : Countries that rely on single-commodity primary material exports in the LDC (like coffee). Now production and trade are controlled by TNCs rather than colonial governments.

Newly Industrialized Countries (NICS)

-Def : countries formerly peripheral within the world system that have acquired a significant industrial sector, usually through foreign direct investment from the core

-Ex : Asian Tigers, China, Mexico, Brazil, India, Argentina, Thailand

Physical Quality of Life Index (PQLI)

- measures the quality of life. The value is the average of three statistics:
 - basic literacy rate
 - infant mortality
 - life expectancy at age one

Productivity

- The amount of production from one hour of labor. It's often increased by technology.
- Sig: the more productive a country, the more it can produce

Purchasing Power Parity

- It looks at what money in a particular country can actually buy. It then creates an “international dollar” to better compare different countries real income
- It allows us to compare the level of development of different countries

Structural Adjustment Program

- Programs promoted by the IMF & World Bank to help LDCs get out of debt (by reducing corruption and spending) and develop (by diversifying their manufacturing base).
- Sig: some argue that poverty worsens under them by shrinking the safety net

Sustainable Development Goals

Def: It works toward achieving the Millennium Development Goals but in a way that will maintain water, food & the environment for future generations.

Tariffs

Def: taxes on imported goods

Sig: tariffs, if high enough, can be used to block out imports to support domestic production (protectionism).

Technology Gap

occurs when there is a wide gap between those who have access to technology and use it effectively and those who do not. The technology gap exists between those who can create and innovate to produce new technologies and those who cannot.

Ex. In Japan there are 861 patents granted per million people. In many developing countries the number is 0.

Technology transfer

is the process of sharing of skills, knowledge, technologies, methods of manufacturing, samples of manufacturing and facilities among governments and other institutions to ensure that scientific and technological developments are accessible to a wider range of users who can then further develop and exploit the technology into new products, processes, applications, materials or services.

Third World

The economically underdeveloped countries of Asia, Africa, Oceania, and Latin America, considered as an entity with common characteristics, such as poverty, high birthrates, and economic dependence on the advanced countries.

Sig: During the Cold War it referred to the poorer countries not affiliated with the US or the USSR

Transnational Corporation

A company that conducts research, operates factories, and sells products in many countries, not just where its head-quarters or shareholders are located

Sig: Leads to globalization

Value added

The gross value of the product minus the costs of raw materials and energy

Ex. The value added per manufacturing worker is around \$80,000 in the U.S.

World Trade Organization

is an international organization designed by its founders to supervise and liberalize international trade. It promotes freer trade by negotiating agreements among member states that push the world in the direction of free trade.

i.e.- it convinces member nations to lower protective tariffs and other barriers