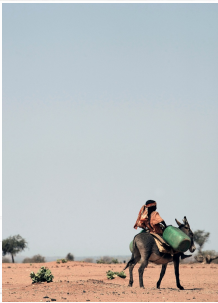
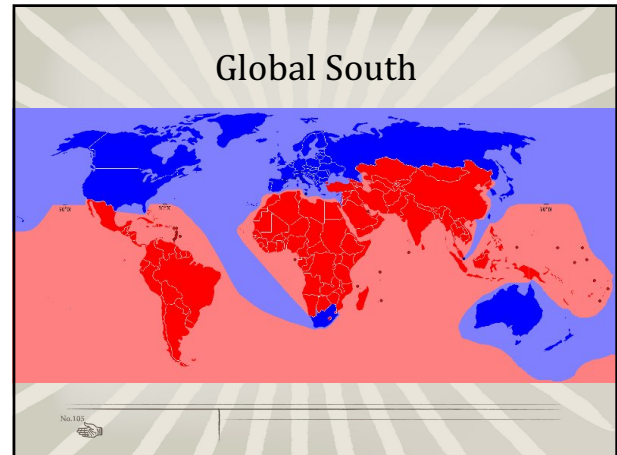
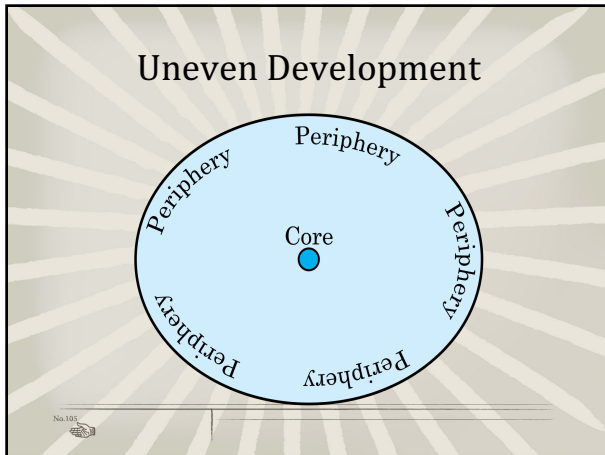




Development

- ‡ Increasing the standard of living
- ‡ Grow the economy

Uneven Development

- MDC**
 - ◆ More Developed Country
 - ◆ 20% of countries
- LDC**
 - ◆ Less Developed Country
 - ◆ 80%
- NIC**
 - ◆ Newly Industrializing Countries

Developing Countries

1. Widespread poverty/malnutrition
2. Large share of agriculture in output/employment
3. Pronounced dualism in econ. structure
4. Rapid growth of population
5. Explosive urbanization
6. Under-utilization of labor
7. Political instability, corruption
8. Environmental degradation
9. Low levels of technological capabilities

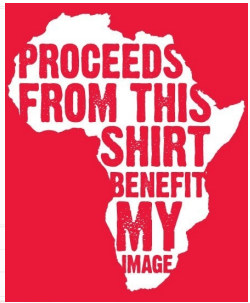
From Szirmai, 2005

Approaches

- ‡ **The fight against poverty**
- ‡ **The analysis of long-term economic and social development**

The fight against poverty

- ‡ Often short-term projects
- ‡ Can be “fashionable”



Long-term approach

- ‡ Studying historic development in first world countries
 - ◆ Should not imply that all countries need to adopt Western methods...
 - ◆ Can stress industrialization over agriculture

Measuring Development

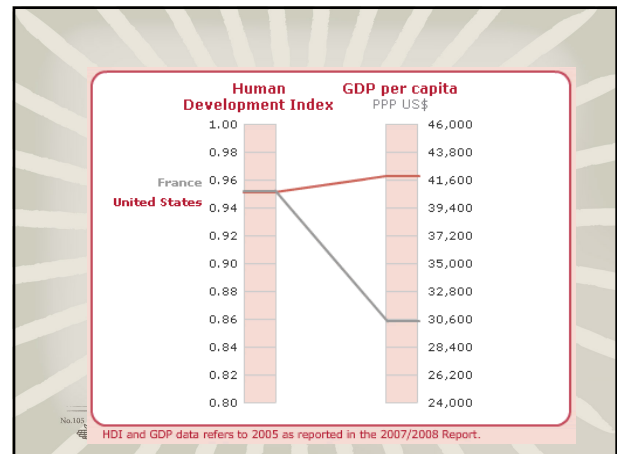
Gross Domestic Product (GDP)

- ◆ *GDP per capita is the total monetary value of all goods and services in an economy divided by the population.*

Human Development Index

UN measurement of economic, social, and demographic development

- ◆ Combines literacy, life expectancy, education, and wealth

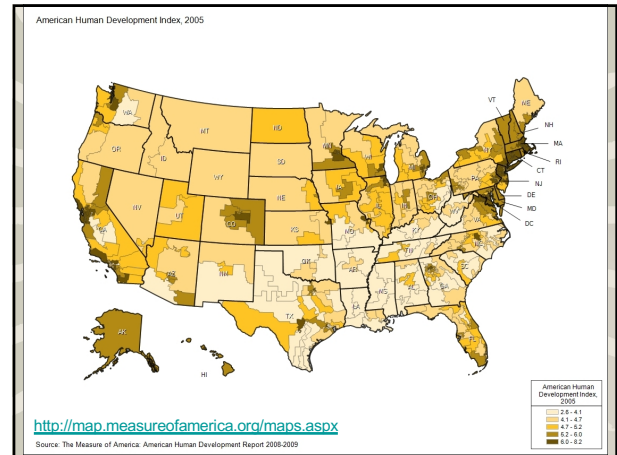


World Bank Data

- ‡ <http://data.worldbank.org/>
- ‡ Using social, economic, & demographic data to understand development


Global Priority	\$U.S. Billions
Cosmetics in the US	8
Ice cream in Europe	11
Perfumes in Europe & the US	12
Pet foods in Europe & the US	17
Business entertainment in Japan	35
Cigarettes in Europe	50
Alcoholic drinks in Europe	105
Narcotics drugs in the world	400
Military spending in the world	780

Global Priority	\$U.S. Billions
Basic education for all	6
Water and sanitation for all	9
Reproductive health for all women	12
Basic health and nutrition	13



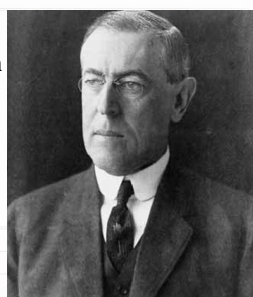
How did we get here?

- ‡ End of 19th Century the US had a surplus of goods, but no markets
 - ♦ Manifest destiny
 - ♦ Colonial markets




World War I

- ‡ Woodrow Wilson
- ‡ *Fourteen Points* speech
- ‡ **League of Nations**




League of Nations

- ‡ Goals were to keep another great war from breaking out
- ‡ The US never joined
 - ◆ Senate worried it would tie US to future European Wars
- ‡ Disbanded in 1946



Interpretations

- ‡ Wilson → enter WWI to reshape the world after
 - ◆ League of Nations would prevent war & provide economic opportunities for US
 - ◆ Proposed “self-determination” for the “smaller” nations




Interpretations

- ‡ Global power was not the result of territory, but **markets**
 - ◆ The League of Nations designed to handle territorial disputes while allowing markets to continue to operate
 - ◆ Europe controlled territories, the US could control the new global discourse


World War II

WWII provided another opportunity to not only rebuild nations, but to reshape a global economy



United Nations

- ‡ Replaced League of Nations
- ‡ Security Council
 - ◆ US, UK, Russia, France, China veto




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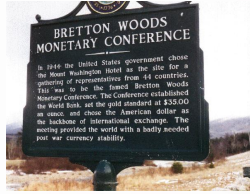
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Russia will seek to prod President Bashar al-Assad toward a political settlement at talks in Damascus after blocking United Nations action over his 11-month- old crackdown.

Foreign Minister Sergei Lavrov and the head of the Foreign Intelligence Service, Mikhail Fradkov, meet Assad today, three days after Russia and China drew condemnation for vetoing a UN Security Council resolution that backed an Arab League plan for a handover of power in Syria.

Bretton Woods Conference

- ‡ Allied leaders met in New Hampshire to establish a system for international trade



Gold Standard

- ‡ Created a **gold standard** for national currencies
 - ◆ Reduced restrictions on trade
 - ◆ \$35 per ounce
 - ◆ Dollar as good as gold



Nixon Shock

Fiat money

- ◆ Legal tender printed by a government
- ◆ Essentially useless bills not tied to any commodity



Bretton Woods Conference

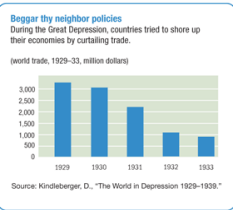
Conference resulted in:

- ◆ **The International Monetary Fund (IMF)**
- ◆ **The World Bank**



IMF

- ‡ Oversaw exchange rates
- ‡ Promoted free trade
 - ◆ Encouraged countries to trade to avoid another Great Depression



IMF

"The International Monetary Fund is an organization of 186 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world."

from IMF website

Development


Just after WWII...

- ◆ **Import substitution**
 - ‡ Economies were supposed to develop their own industries so that they would not need to rely exclusively on imported goods

Import substitution

‡ Seen as a failure in the 1970s

- ◆ Developing countries couldn't compete in the global market place



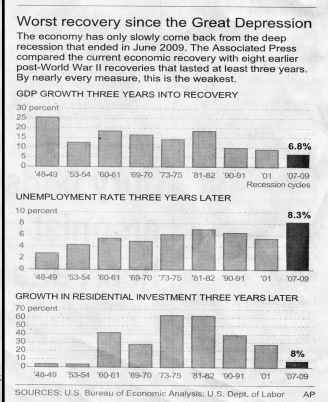
Reuters / Eliana Aponte

Neoliberalism

- ‡ Replaced with **neoliberalism**
 - ◆ Export-oriented economies
 - ◆ Privatization, deregulation, free-trade, and monetarism
- ‡ Now the IMF, World Bank, & the World Trade Organization (WTO) played a bigger role in the global economy

Worst recovery since the Great Depression

The economy has only slowly come back from the deep recession that ended in June 2009. The Associated Press compared the current economic recovery with eight earlier post-World War II recoveries that lasted at least three years. By nearly every measure, this is the weakest.




Recession Cycle	GDP Growth Three Years Into Recovery	Unemployment Rate Three Years Later	Growth in Residential Investment Three Years Later
'48-49	~15%	~4%	~40%
'53-54	~12%	~4%	~35%
'60-61	~12%	~4%	~35%
'69-70	~12%	~4%	~35%
'73-75	~12%	~4%	~35%
'81-82	~12%	~4%	~35%
'90-91	~12%	~4%	~35%
'01	~12%	~4%	~35%
'07-09	6.8%	8.3%	8%

SOURCES: U.S. Bureau of Economic Analysis; U.S. Dept. of Labor AP

The World Bank

- ‡ Designed to facilitate development projects
- ‡ Eventually restructured to focus on infrastructure of Third World




Structural Adjustment Programs

SAPs

- ◆ Changes needed to be made by a country before they can take new loans from the IMF and World Bank
- ◆ Often resulted in deregulation & privatization of government utilities & services
 - ‡ Remove price controls & state subsidies
- ‡ Balance the budget
 - ◆ Typically by cutting spending rather than raising taxes

Mexico, 1982

- ‡ Going to default on debts
 - ◆ Loans based in \$US
 - ◆ Rising interest rates from the US effected **adjustable rate loans** taken out by Mexico



Mexico, 1982

- ‡ In a US backed deal, Mexico required to implement SAPs
 - ◆ Cuts in welfare expenditures
 - ◆ Relaxed labor laws
 - ◆ Privatization



Globalization

National economies are connected

- ◆ What happens in Asia can affect South America
- ◆ A country can do things right & still go into heavy debt
 - ‡ In order to get out of this debt, it typically needs new loans from the IMF/World Bank
 - ◆ Which means they need to implement SAPs
 - ‡ Which means more debt than before

Kinder, Gentler SAPs

World Bank was getting a bad reputation

- ◆ Debt
- ◆ Environmental degradation

Along with IMF launch a new plan, the **Poverty Reduction Strategy Initiative (PRSI)**

- ‡ Some argue essentially SAPs with a friendlier name

Microfinance

- ‡ Seen as an alternative to global development banks
 - ◆ Make small loans to people for their business ventures
 - ‡ “Development from below”
 - ◆ Still are criticized though...
- ‡ Grameen Bank of Bangladesh
- ‡ Kiva.org

Your World Bank Assignment

- ‡ The World Bank is highly criticized as punishing poor countries & giving profits to rich nations and transnational corporations
- ‡ It has tried to fix this negative image
 - ◆ Though some would say they’re just renaming the same bad policies

Your World Bank Assignment

I am not looking for you to simply criticize the World Bank, but read its proposals for helping get developing nations out of poverty.

Your World Bank Assignment

You should be able to find a “Country Assistance Strategy” or CAS report for your country – this should be a good place to start

- ◆ What problems are seen by the World Bank?
‡ Do you agree with them?
- ◆ What solutions are given by the Bank?
‡ Do you agree with them?
- ◆ Does “debt” ever get mentioned?