Development

- Increasing the standard of living
- Grow the economy

Uneven Development

- Widespread poverty/malnutrition
- Large share of agriculture in output/employment
- Pronounced dualism in econ. structure
- Rapid growth of population
- Explosive urbanization
- Under-utilization of labor
- Political instability, corruption
- Environmental degradation
- Low levels of technological capabilities

From Szirmai, 2005

Uneven Development

MDC
- More Developed Country
- 20% of countries

LDC
- Less Developed Country
- 80%

NIC
- Newly Industrializing Countries

Global South

Core

Periphery

Developing Countries

- MDC
- LDC
- NIC

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

[Graph showing Human Development Index and GDP per capita]
World Bank Data

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

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<th>Global Priority</th>
<th>$U.S. Billions</th>
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Global Priority

- 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

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

Word 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

Russia Aims to Prod Assad After Vetoing UN Action on Syria Power Transfer

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

Foreign Minister Sergei Lavrov and the head of the Foreign Intelligence Service, Mikhail Fradkov, met Assad. Yedav, 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

"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

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

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
In Mexico, 1982:
- Going to default on debts
  - Loans based in $US
  - Rising interest rates from the US effecting adjustable rate loans taken out by Mexico
- 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?