I. WHAT IS DEVELOPMENT?
F-2010

Richard H. Bernsten
Agricultural Economics
Michigan State University

I. What Are Causes/Solutions to Food, Population, Poverty Problems?

- Experts/public disagree
  - Can we feed future populations/are famines inevitable?
  - Are there too many people in the world?
  - Is global warming a real problem—more/stronger hurricanes?

- Why do experts/public disagree (Is anyone “objective”)?
  Rely on/influenced by different
  - Facts (Obama is a Moslem?)
  - Standards of proof” (rigor)
  - Experiences (e.g., Allende—Chile coup, study abroad)
  - Values (e.g., religion => social justice)

- Source of your opinions?

- How do we know what’s the “Truth”?
  - Critically assess “facts”/misinformation (Factchecker.com)
  - Be open to new ideas/answers
II. Globalization

A. What is Globalization?
- A shrinking world--for me, Kenya Massai, Indonesia anklong (link)
- Sense of boundaries dissolving, a woven world
- For you?

Def. **Mega trend**, increasing economic interdependence, blending of cultures
(e.g., McDonalds in India, Sesame Street in S. Africa, Hooters in China)

- **Economic Aspects**
  - Trade integration (>imports/exports)—tariff reductions
  - Increased capital mobility (foreign investment)—new rules
  - Rapid technological change & diffusion—science/communications
  - Rise in global consumerism—rising incomes, increased demand—especially in China/India
  - Service jobs > agricultural jobs, first time in 1996

Some Examples
- **US imports**
  - Food (>50% imported: Mexico & C.America, Chile, Brazil)
  - Cut flowers/roses: Colombia
  - Clothing: C. America., Asia, Africa
  - Toys: 80% from China
  - Mfg goods: Japan, Europe, LDCs (increasing)

- **US Exports** (future market growth will be in LDCs!—why?)
  - Agriculture (corn, soybeans, wheat): worldwide
  - Frozen chickens: Philippines
  - High-tech goods: worldwide

- **Jobs ( Outsourcing)**
  - Textiles: US to LDCs
  - Services/back-office IT jobs: US to India, others countries—examples?
    - Medical tourism!!?, but now IT, India > US
  - Hi-tech jobs: US to China & India (increasing threat!)
  - But not just from US to LDCs (China: umbrellas in India)
Capital
- Direct investment (e.g., Honda/China in US, US worldwide)
- Franchises (e.g., McDonalds → 115 countries; Pollo Campero)
- Joint ventures (e.g., Home Depot, Wal-Mart)
- Multinational corporations (“corporate states”)

Monetary/regional integration (Euro/EU, E. Africa, CAFTA), tightly linked monetary policies
- Attract capital
- More competitive via a larger market

Other?

What is the driving forces for economic integration?

Cultural integration (culture is constantly changing, an interchange)

Some Examples
- Music—About Africa, in English, from where? YouTube
  - LDC to US? (world music, Paul Simeon-Graceland)
  - US to the world? (Java; CD: Inul Daratista)
    - Pop, Country, Rap
- TV
  - MTV seen in >80 countries?
  - CNN seen worldwide (Ghana—2000 election)
  - Satellite dishes (has impacted politics in the Middle East)
  - Sesame Street (>19 countries with their “own” version)
  - Al Jazeera, Middle Eastern “reality” TV (but no sex, no swearing, no kissing)
  - Brazil—Novelas/soaps popular worldwide--Russia, Morocco

Other?

Media not only provides more access to information, but also new values?
B. Worldwide, globalizations has created a “Revolution of Rising Expectations”
   o Meaning?
     ✓ People around the world expect a better life in the future
     ✓ Consequences of failure?
   
   o What do people in LDCs want for themselves, esp. their kids?
   
   o Reasons for rising expectations?
     ✓ Rapid worldwide shift from agrarian to industrialized societies
     ✓ “Demonstration effect” (Dallas/Philippines, rich Americans)
       ▪ See what people in rich countries have

C. But Is Globalization (economic & cultural integration) Really New?
   o Previous waves of globalization & their impacts
     ✓ Explorers/missionaries (1500s)
       Impacts?
       ➢ Crops—acorns to corn, beans, soybean, wheat, rice
       ➢ Religion—convert to Islam/Christianity—missionaries started schools/hospitals in Africa, Asia, LAC

     ✓ European immigrants to US (early 1900s)--Me=Sweden (You?)
       Impacts?

     ✓ WWI, WWII, Vietnam
       Impacts?

     ✓ Recent immigrants (Hispanics, Africans, Asians, E. Europeans)
       Impacts?
So what's new?
  ✓ Rate of change
  ✓ Countries affected

D. What has Made Rapid Globalization Possible—cumulative impact?
  o Knowledge—science & technology (more/cheaper)
    Examples?
    ✓
    ✓
    ✓
    ✓
    ✓

  o New global rules & regulation, esp. since 1990 (What/How?)
    Examples?
    ✓ Trade liberalization reduced barrier to trade/tariff
    ✓ Opening of financial markets allowed foreign capital flows
    ✓ Privatization of state enterprises

  o Increased global wealth
    Why/How?
    ✓
    ✓

  o New Institutions/organizations, esp. since WW II (What/How?)
    ✓ UN System (e.g., WHO, FAO, UNICEF, HCR)?
    ✓ World Bank/International Monetary Fund (foreign aid)?
    ✓ World Trade Organization?
    ✓ International Agricultural Research System?
    ✓ Other?
E. Is Globalization Good/Bad?
   o Positive aspects?
     Examples?
     ✓✓✓✓✓
   o Negative aspects?
     Examples?
     ✓✓✓✓✓
     ✓ (IndoForex).
   o So, Is globalization good or bad?

F. Competing in a Global Economy
   o Some key concerns/global challenges that must be addressed
     ✓ Who has benefited most?
       ▪ Developed vs developing?
       ▪ Within countries?
     ✓ What new global rules are needed--fair vs free trade?
       ▪ Stronger financial regulations?
       ▪ Stronger labor, environmental regulations?
       ▪ Fairer trade rules that give LDC access to DC’s markets?
     ✓ How can governments help people adjust to changes?

   o What skills will You, as future leaders, need to be competitive in the global economy?
     Examples?
     ✓✓✓
   o What does the US Need to do (lessons from China?)?
     ✓✓✓
III. Why Should We Be Concerned About Development in the Poor Countries?

A. "Global Dilemma"
   o Increasing demand, shrinking resources
   o Greatest problem—looking beyond immediate concerns to future needs (being a “world citizen”)

B. "Driving Forces"—Population & Technology
   o Pre-1800s—low population, low technology => only local impacts
   o Today—high population, high technology => global impacts
   o Future (2050)—population will 2x, world economy will grow 5-10x
   o Evidence of increasing pressure on the global environment
     ✓ “Global Commons”—air, water, oceans/fisheries—are threatened
     ✓ Solutions require global cooperation
   o Growing concern—global sustainability is at risk
     ✓ We must not endanger the prosperity of future generations

C. What Global Challenges Threaten Our Prosperity/World Peace in An Interdependent World?
   Where/Spillover impacts?
   o Terrorism (not Islam)
   o Refugees/illegal immigration
   o Famine/hunger due to poverty/disasters
   o Conflicts/political instability
   o Economic instability/interlinked financial markets
   o Global warming/environmental degradation, resource shortages
   o Epidemics/health crises
   o Global crime
   o Other?

Does US have a self-interest to help address these challenges?
Root Cause of Global Challenges?
- Poverty—increasingly recognized as the key issue
  - Tony Blair (UK) “We can’t have a world with a few rich, many poor”
  - Chirac (Fr.): “G-8 must prepare joint responses to shared challenges”
  - Lula da Silva (Brazil): “Time has come to make fundamental structural reforms”
- Why are developing countries poor/many facing politically conflict?
  - Internal causes?
  - External causes?
- Reducing poverty/achieving sustainable development will require new approaches, greater commitment, new creative solutions (e.g., “smart products” like green energy) => focus of EEP 260

IV. What Is Development?
A. Images: Africa, Asia, Latin America? (Maps)
- Brainstorm?
- Sources of images?
- True for all in region?
- **Video: “Voices of the Poor”**

B. Terms Describing Groups of Nations
- Third world (what’s the first, second world?)
  - **Def.** Countries other than W. Europe, US, Canada, Japan, Australia
- Developed/industrialized vs. developing countries (LDCs)
  - How would you characterize these groups of nations?
    - Developed (G-8—the North)?
    - Developed + “Emerging” LDCs (G-20—new grouping)
    - Developing (LDCs—the South)?
C. How great are the differences?  
**WB Data**
- Developed (DCs) vs developing counties (LDCs)?
- Among developing (new term, “emerging”) countries? **(Income Map)**
- Within developing & developed countries?  **(MegaMall)**
  - Dual economies—**Def.** Large share of income earned by Top 10% US-31%, India-34%, Brazil-48%, S.Africa-46% vs. Sweden-20%

- Material World: What do people have? **(Family Photos)**
  - Contrast?
  - Is only difference a lack of material goods?
    - Many people in LDCs lack access to what else?

- Are people in rich countries the happiest?
  - Overall “life satisfaction” vs. “moment-to-moment enjoyment”
  - Key to happiness = non-economic (family/community)
  - “$1 per day in Malawi—”It’s a good live, but…?”

- An Ominous sigh: growing inequality between developing vs. developed countries & within countries
  - World Income: Low, middle, high income countries **(Shares)**
    - Increasing growth in inequality of assets (1960-1999)
      - Richest 20% vs. poorest 20% of world’s population
    - Richest 200 individuals’ income = income of bottom 40%, 2.4 billion poorest
    - Richest 1% of world’s consumers consumer same as the bottom 50%
    - Bill Gates—net worth > GDP of the 80 poorest countries!

- So what—why does this matter to us?
D. How Is Development Measured?

- **Traditional definition** ("economic growth", make the pie larger):
  - Increase in GNP (GNI)/capita (value of goods & services)
  - More is better—driving paradigm

- **Mixed Success**
  - Rapid growth in some countries (esp. China, India, Brazil)
  - Percent of world population living in **extreme poverty** (<$1.25/day) has declined
    (WB: 1981: 52%, vs. 2005: 26%--but still 1.4 billion!)
  - Great difference between regions (1981 vs. 2005)
    (E. Asia—80% to 18%; SS Africa=50% to 50%)

- **But what's missing in the traditional definition of development?**
  - Growth in GNP/capita (necessary, not sufficient)
  - Improving food security
    - Def. "ability of households to acquire adequate diet all year"
  - Reducing poverty & inequality
  - Avoiding disrupting cultural values
  - Increasing access to education & health services
  - Encouraging creativity, enterprises
  - Increasing political & economic opportunity
  - **Sustainability** - insuring our children's future

E. Today, "development" is considered to be a **broader** concept than simply economic growth

Sears: Def. "creating the conditions for the realization of human potential"; development deals with how the economic "pie is cut" & improvements in peoples' daily lives

- **New definition/goals of development includes**
  - Growth in GNP/capita (**necessary**, not sufficient)
  - Improving food security
    - Def. "ability of households to acquire adequate diet all year"
  - Reducing poverty & inequality
  - Avoiding disrupting cultural values
  - Increasing access to education & health services
  - Encouraging creativity, enterprises
  - Increasing political & economic opportunity
  - **Sustainability** - insuring our children's future

- **Goals of development are Incorporated in Millennium Development Goals**—sets specific **targets** for 2015
Broader goals of “development” are captured in the *International Declaration of Human Rights* (1950s)
- Right to: good job, education, food, civil rights, health services, free expression, etc.
- Most countries have ratified IDHR, see as long term “goals”

F. What are some broader measures of development?
- World Bank’s social indicators—much progress (WB Indicators)
  - Life expectancy, literacy, doctors/1,000, infant mortality, daily calories, etc.
- Indices of Development (rank each country)
  - *U.N. Human Development Index*
    - **Def:** country’s achievements in terms of life expectancy, educational attainment, and adjusted real income
  - *Gender Empowerment Index*

- Why are these indices useful? What are their weaknesses?

G. The Development Problem—How do societies achieve these goals?
- Political system & government policies reflect society’s goals & strategies to achieve these goals:
- Historically, countries have followed two types of development strategies:
  - Govt.-directed development
    - USSR, most LDCs after achieving independence from colonial powers
  - Market economy-directed (private sector) development
    - First Western countries, but now a mega trend through out the world!
    - Transition from govt.-directed to market economy-directed development has been more difficult than expected (e.g., Russian Federation, Eastern Europe, Central Asia)
- Economists now recognize that “good governance” is a KEY to successful (e.g., create strong institutions, build infrastructure, provide social services)—private sector can’t do it alone!!
H. Is There a Need for a New Development Model?

Some Criticisms of the Market-driven Development Model

- Buarque “Let’s Stop Forgetting” (Brazil)
  - Western model—which defines material wealth as main goal—has led to wealth concentration, corruption, abandoning social investments, foreign debt, loss of traditional values
  - Government must guarantee everyone access to essentials goods & services—food, health services, public transport, a dwelling, safe water, sanitation

- Lula da Silva (Brazil’s president)
  - Globalization must be altered to make it more friendly to the “global south”
  - LDCs must be allowed to play a greater role in setting trade and other policies that affect LDCs

- Lampman “Limits of the Global Economy”
  - Religious leaders—concerned about globalization’s failure to fulfill economic promises, undermining of cultural values, emphasis on secular/materialistic values, short-term focus (maximize profits now)

- A World of Possibilities (WKAR): growth & efficiency vs resilience?

What Countries Should Participate in Global Decision-making?

- Increasing call for global reforms, esp. by developing countries
  - G-8 vs G-20—Who should be members?
  - World Bank/IMF—Who should make the decisions?
  - WTO—Who should set the agenda?
V. Addressing Global Challenges

- Should the rich countries give priority to addressing global concerns, including widespread poverty?
  - Consider “spillover impacts” of a lack of development
    - It’s in our “enlightened self-interest” to assist LDCs reduce poverty, which breeds terrorism & environmental degradation
  - Rich countries have a “moral obligation” to assist
    - Greatest capacity to assist
    - DCs profess humanitarian values, commitment to freedom & democracy

- Can the US Acting Alone Solve the World’s Problems?
  - Dangers of unilateralism
    - Are US values/virtues unique, universal—criticisms of US?
    - Can we successfully “do it alone”?
    - Combating global financial crisis, global warming require global cooperation

- US’s role as a world leader is declining due to:
  - Rise of “emerging” economies as powerful world players—China, Brazil, India
  - Preoccupation with “war on terrorism” has contribute to neglecting other concerns/regional problems importance to other countries

- US needs to rebuild its position of world leadership based on a strategy that
  - “embraces values of human equality and mutual respect for all people” ([World Public opinion](#))
  - insure that the US remains economically & diplomatically strong (e.g., invest in education, infrastructure, science)

- Key Issue facing the US, other DCs, and LDCs:
  - How can the world best address our global concerns?
  - Do rich & poor countries have the political will needed to successfully address our global challenges?
## ECONOMIC DEVELOPMENT INDICATORS (2007)

<table>
<thead>
<tr>
<th>GROUP/COUNTRY</th>
<th>ECONOMIC INDICATORS</th>
<th>SOCIAL INDICATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank</td>
<td>GNI/Capita</td>
</tr>
<tr>
<td><strong>High Income</strong> (Mean=$37,566)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>1</td>
<td>$76,450</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2</td>
<td>$59,880</td>
</tr>
<tr>
<td>Denmark</td>
<td>3</td>
<td>$54,910</td>
</tr>
<tr>
<td>Sweden</td>
<td>4</td>
<td>$46,060</td>
</tr>
<tr>
<td>United States</td>
<td>5</td>
<td>$46,040</td>
</tr>
<tr>
<td>Israel</td>
<td></td>
<td>$21,900</td>
</tr>
<tr>
<td>(largest recipient of US foreign aid)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GROUP/COUNTRY</th>
<th>ECONOMIC INDICATORS</th>
<th>SOCIAL INDICATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GNI/Capita</td>
<td>Life Expectancy</td>
</tr>
<tr>
<td><strong>Middle Income</strong> (Lower Middle=$1,887; Upper Middle=$6,987)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$15,440</td>
<td>71/75</td>
</tr>
<tr>
<td>Argentina</td>
<td>$6,050</td>
<td>71/79</td>
</tr>
<tr>
<td>Mexico</td>
<td>$8,340</td>
<td>72/77</td>
</tr>
<tr>
<td>Poland</td>
<td>$9,840</td>
<td>71/80</td>
</tr>
<tr>
<td>Brazil</td>
<td>$5,910</td>
<td>69/76</td>
</tr>
<tr>
<td>South Africa</td>
<td>$5,760</td>
<td>49/53</td>
</tr>
<tr>
<td>Dom Republic</td>
<td>$3,550</td>
<td>69/75</td>
</tr>
<tr>
<td>Thailand</td>
<td>$3,400</td>
<td>66/75</td>
</tr>
<tr>
<td>Colombia</td>
<td>$3,250</td>
<td>69/76</td>
</tr>
<tr>
<td>Russian Fed.</td>
<td>$7,560</td>
<td>59/73</td>
</tr>
<tr>
<td>Guatemala</td>
<td>$2,440</td>
<td>66/74</td>
</tr>
<tr>
<td>Philippines</td>
<td>$1,620</td>
<td>66/73</td>
</tr>
<tr>
<td>Honduras</td>
<td>$1,600</td>
<td>66/73</td>
</tr>
<tr>
<td>China (PRC)</td>
<td>$2,360</td>
<td>70/74</td>
</tr>
<tr>
<td>GROUP/ COUNTRY</td>
<td>ECONOMIC INDICATOR</td>
<td>SOCIAL INDICATORS</td>
</tr>
<tr>
<td>----------------</td>
<td>--------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>Low Income</strong></td>
<td><strong>(Low Income Mean=$578)</strong></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>$1,650</td>
<td>66/70</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>$340</td>
<td>43/42</td>
</tr>
<tr>
<td>Haiti</td>
<td>$560</td>
<td>59/62</td>
</tr>
<tr>
<td>India</td>
<td>$950</td>
<td>63/66</td>
</tr>
<tr>
<td>Kenya</td>
<td>$680</td>
<td>52/55</td>
</tr>
<tr>
<td>Mozambique</td>
<td>$320</td>
<td>42/43</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>$260</td>
<td>41/44</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>$220</td>
<td>51/54</td>
</tr>
<tr>
<td>Dem. Rep. Congo</td>
<td>$140</td>
<td>45/47</td>
</tr>
<tr>
<td>Burundi (lowest)</td>
<td>$110</td>
<td>48/50</td>
</tr>
</tbody>
</table>
### Distribution of World’s Gross National Income (2006)

<table>
<thead>
<tr>
<th>Category</th>
<th>GNI/capita</th>
<th>GNI (%)</th>
<th>Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>$749</td>
<td>1.4%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Middle</td>
<td>$12,235</td>
<td>23.2%</td>
<td>69.5%</td>
</tr>
<tr>
<td>High</td>
<td>$39,682</td>
<td>75.3%</td>
<td>17.2%</td>
</tr>
<tr>
<td>World</td>
<td>$7,958</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>U.S.</td>
<td>$46,040</td>
<td>26.4%</td>
<td>4.9%</td>
</tr>
</tbody>
</table>
### GNI with Local Costs Adjustment (2006)

#### Change in Selected Countries: GNI vs. GNI-PPP/capita

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>$5,910</td>
<td>$9,370</td>
</tr>
<tr>
<td>China</td>
<td>$2,360</td>
<td>$5,370</td>
</tr>
<tr>
<td>India</td>
<td>$950</td>
<td>$2,740</td>
</tr>
<tr>
<td>Kenya</td>
<td>$680</td>
<td>$1,540</td>
</tr>
<tr>
<td>Mozambique</td>
<td>$320</td>
<td>$6,90</td>
</tr>
</tbody>
</table>

[Return to p. 21](#)