**Economic Transition: Social & Economic Development & Global Patterns**

**Knowledge and understanding of… the nature, causes (physical and human) and distribution of** **global inequalities in social and economic wellbeing**

**Critical evaluation of … some of the measures and indices of social and economic inequality**

*Recap & Further Information – Characteristics of and Evidence for Development…*

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| **Economic Changes** | **Social/Demographic Changes** | **Political Changes** |
| **E**mployment shift - agriculture to manufacturing industry, and on to modern service activities e.g. financial services  **M**anufacturing moves up the value chain - more technologically advanced i.e. hi-tech  **E**xpansion of international trade - both exports and imports  **W**ages and disposable income increase  **I**ncome inequality may also increase | **E**ducational improvement - more young people complete secondary and tertiary (university) education  **N**arrowing of gender inequality - workforce more gender-balanced  **H**ealth improvements - falling infant, child and adult mortality rates  **P**opulation becomes more urban-based - housing improves (eventually)  **E**xposure to modern media increases - TV, internet, films  **D**iets, lifestyles and values linked to consumerism - society becomes more secular  **A**geing population - increasing life expectancy and falling fertility / birth rates  **P**opulation structure becomes typical of stages 4 & 5 on the demographic transition model | **M**ove to greater democracy and political freedom - free elections, free speech  **P**ressure for improved governance - less corruption and favouritism  **R**ecognition of the rights of minority groups |
| **Standard of Living** – the level of wealth, material goods and necessities available to a person or community (geographical area) | **Quality of Life** – the general well-being in terms of health, comfort and happiness of a person or community (geographical area) |  |
| **Absolute / Extreme Poverty –** people lacking basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. Measured by World Bank at US $1.90 or less a day ($1 at 1995 prices) |  |  |
| **Relative Poverty** – people lacking an adequate income compared to the society around them. The UK considers anyone whose income is less than 60% of the national average as being in relative poverty |  |  |

*Recap & Further Information – Measures of Development…*

Sometimes economic and social indicators do not match for a country. For example, it may have a low income per person (as measured by GDP or GNI) but excellent healthcare (as measured by many doctors per 1000 people or low infant mortality rate or long life expectancy). Some measures of development are more **inter-linked** than others. For example, access to mobile phones or the internet relies upon access to electricity, signal pylons, service engineers, satellite access, and disposal income to purchase the equipment. Economic measures clearly focus on money/income, so link to other features of a country’s economy, such as employment and trade. Yet, even economic measures are entwined with social measures, since without money it is near impossible to improve aspects like healthcare and education

Task 1: Add some political measures of development to the table.

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| **Economic Measures** | **Social/Demographic Measures** | **Political Measures** |
| Wages per Person/Capita | Birth Rate  Fertility Rate |  |
| GDP per Person/Capita | Death Rate  Infant Mortality Rate  Child Mortality Rate |  |
| GNI per Person/Capita | Literacy Rate  Access to Education |  |
|  | Life Expectancy |  |
|  | Doctors per 1000 People |  |
|  | Access to Drinking Water  Access to Sanitation |  |
|  | Food Intake per Person (calories per day) |  |
|  | Access to Technology (e.g. mobile phones or internet) – could be viewed as Economic |  |

*The Most Used Economic and Social Measures of Development…*

Task 2: Add some advantages and/or disadvantages in the table below for each measure. Hint – read page 3 before starting.

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| Gross Domestic Product (**GDP**) per capita… **ECONOMIC** | Gross National Income (**GNI**) per capita… **ECONOMIC** | Human Development Index (**HDI**)… **SOCIAL & ECONOMIC** | Physical Quality of Life Index (**PQLI**)… **SOCIAL** |
| GDP per capita is a standard of living measure, although this is problematic since GDP relates to the amount of production in a nation rather than indicating personal income.  GDP is the total $ value of all final goods and services produced within a nation in a given year (so includes any foreign businesses in a nation) converted at market exchange rates to current US dollars. When divided by the average population for the same year it gives the GDP per capita figure.  GDP per capita can also be calculated on the basis of purchasing power parity (PPP), to adjust for differences in the cost of living in different countries. | GNI per capita is a standard of living measure used by the World Bank.  GNI is similar to GDP but it is the total $ value of the income from goods and services produced by a nation’s citizens (so includes overseas earnings e.g. profits returned home from the nation’s TNC businesses abroad, but does not include earnings that foreign TNC businesses remove from the nation).  GNI is converted at market exchange rates to current US dollars. When divided by the average population for the same year, it gives the GNI per capita figure.  The World Bank calculates GNI using the Atlas method which uses a three-year average of exchange rates. From this, countries are classified as:  **High-income economies** (HICs) - $12,736 or more  **Upper-middle-income economies** (MICs) - $4,126 to $12,735  **Lower-middle-income economies** (MICs) - $1,046 to $4,125  **Low-income economies** (LICs) - $1,045 or less | HDI is a composite quality of life and standard of living measure used by the UN.  It combines the values for life expectancy, educational attainment (adult literacy and school enrolment) and real GDP (which allows for cost of living) per capita on a 0-1 scale. From this, countries are classified as:  **Very high human development** - 0.800 and above  **High human development** - 0.700 to 0.799  **Medium human development** - 0.550 to 0.699  **Low human development** - below 0.550  The 2017 HDI report is based on estimates for 2015, and covers 185 of the 193 UN member countries. Absentees include North Korea and Somalia | PQLI is a composite quality of life measure developed for the Overseas Development Council in the 1970s.  It combines the values for infant mortality, life expectancy at 1 year and basic literacy on a 0-100 scale. The higher the score, the higher the quality of life of a country.  PQLI shares with HDI the general problem of measuring quality of life in a quantitative way. It has also been criticised because there is considerable overlap between infant mortality and life expectancy. |

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| **GDP – Adv/Disadv** | **GNI – Adv/Disadv** | **HDI – Adv/Disadv** | **PQLI – Adv/Disadv** |
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*GDP v GNI: Does it Matter?*

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| For most nations there is little difference between GDP and GNI, since the difference between income received by the country versus payments made to the rest of the world is not significant, as the income flows tend to balance each other out. For example, GNI for the US in 2011 was only about 1.5% higher than GDP.  However, GNI can be well below GDP in the case of a nation such as Ireland which has used complex low-tax incentives and structures to attract many foreign TNCs, such as Apple. The large-scale repatriation of profits from foreign TNCs located in Ireland far exceeds income flows back to Ireland from its own companies overseas. Ireland’s GNI was 20% below its GDP in 2011, which means that although Ireland attracts substantial foreign investment that contributes to its economic growth, a big chunk of the profits arising from such foreign investment does not remain in the nation. In this case, GNI may be a better indicator of Ireland’s economic performance than GDP, since the latter overstates the strength of the Irish economy. |

*General Problems with Measuring Development using a Single Indicator…*

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| **Single Economic Measure e.g. GDP per Capita or GNI per Capita** |
| * This is an average and can easily be skewed by a small minority of wealthy families which may mask extreme poverty for the majority of the population * It does not take into account the cost of goods and services which affects what people can buy with their wages (actual disposable income) * How wealthy a country is does not take into account how effectively this money is used, such as investment in creating an educated and trained workforce or investment in facilities for health and exercise * It does not take into account differences between regions or between urban and rural areas or within urban areas (e.g. in Brazilian cities, poor favela areas on the steep hills contrast with the rich inner city and seafront areas) |

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| **Single Social/Demographic Measure e.g. Fertility Rate, Life Expectancy or Literacy Rate** |
| * Similar problems exist when trying to evaluate the development of a country using only social indicators as they are also averages across a country so hide regional differences * A single social measure does not allow comparisons with other social measures e.g. food intake with life expectancy; education with fertility |

*The Physical and Human Causes of Global Inequalities in Social and Economic Wellbeing*

Global inequalities in social and economic wellbeing are illustrated by the various classifications in use e.g. the World Bank’s use of HICs, MICs, LICs (see previous document on Classifying Economic Development for a comprehensive look at the various classifications). These classifications show the existence of a **development continuum** - a linear scale showing the path to development from the least developed countries (LDCs/HIPCs) to the most developed countries (G7). The continuum shows that there is no clear cut-off point between rich and poor. However, there is clearly a **development gap** evident between the various countries of the world, and the MDGs established by the UN in 2000 was one important international attempt to close the gap. We have already covered many reasons why global inequalities in wealth and wellbeing exist during our previous investigations into trade – unfair trade and fairtrade, debt – national debt and the international debt crisis, and aid – MDGs and the work of international organisations

Task 3: Add further examples of the physical and human causes of global inequalities to the table below. Some have been suggested, but others can be chosen.

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| **Physical Causes of Global Inequalities in Social and Economic Wellbeing** | **Human Causes of Global Inequalities in Social and Economic Wellbeing** |
| **Natural Disasters** – the presence of natural disasters hinders development as money has to be spent on rebuilding instead of development e.g. Haiti has earthquakes and hurricanes  **Natural Resources** – where natural resources are available a country can establish industry to make money and develop e.g. oil in Saudi Arabia, minerals in Brazil and South Africa  **Climate** – if an area is too cold then it is difficult to grow crops, mining for minerals is difficult as is transport. Areas which are too dry are also areas where crop growth is very difficult so famine is common e.g. Ethiopia  **Disease** – areas where diseases such as malaria are present are less developed as they have to spend money on treating the disease which could be spent on education or services instead. Productivity is also reduced if workers are often ill e.g. Mali  **Relief** – areas which are too mountainous find farming difficult due to the steep slopes, poor soils, inability to use machinery and the cold climate e.g. Nepal and Afghanistan  **Landscapes for Tourism** – countries which can attract tourists such as Thailand due to their warm climate and beautiful beaches are able to use this additional income to develop and will attract foreign investment as a result  **Size** –  **Infertile Soils** –  **Landlocked Locations** - | **Education** – countries with an educated workforce can make more money e.g. Brazil and China  **Skilled workforce** – countries whose people have excellent entrepreneurial skills are able to develop industry e.g. South Korea and India  **Health** – countries with a good health service are more developed as less money is drained from the economy and workers are more productive e.g. Sweden and UK  **Industry** – countries with a diverse range of industries have more people in employment and generate more wealth e.g. USA and Germany  **Trade** – countries that are industrialised gain money through exporting products which they can invest in developing infrastructure and public services e.g. Japan, Germany and China  **Population** – countries are more developed if their population growth is stable with a structure that has most people in the working age group e.g. UK  **Rural/Urban Balance** – countries that have mainly urban populations tend to be more developed than those with a rural population where wages are low e.g. Singapore (100%), Belgium (97%), UK (91%)  **Conflict** **& War** –  **Corruption –**  **Stable Government** -  **Historical Factors & Colonial Ties** –  **Debt** –  **Economic Policies** -  **Trade Blocs & Unfair Trade** –  **Technology** – |