

## V Development Patterns

### A. Development

1. Development is the process of improving the material condition of people through the growth and diffusion of technology and knowledge.

2. Every place, regardless of size, exists at some level of development.

## B More Developed vs Less Developed Countries

1. More developed countries (MDCs) are on the wealthier side of the development spectrum
2. Less Developed countries (LDC's) are those on the economically poorer side of the spectrum
3. Both groups of countries have related challenges
  - a) MDCs trying to maintain economic growth
  - b) LDCs trying to improve their economic condition.
4. A country's development level is based not just on how much money it has, but also includes factors related to education and health care development.

## C. Gross Domestic Product

1. GDP is the value of total outputs of goods and services produced in a country, usually over one year.
2. GDP per capita is simply  $\text{GDP} / \text{population}$ .
  - a) MDCs GDP per capita greater than 20,000
  - b) LDCs GDP per capita less than 1,000

## D. Gross National Product

1. GNP includes all goods and services owned and produced by a country overseas.
2. GDP and GNP are often cited as poor measures of development
  - a) don't provide information on distribution of wealth
  - b) " development of healthcare
  - c) education
  - d) degree of gender equity.

## E. Purchasing Power Parity (PPP)

1. PPP is a measurement tool for calculating the exchange rates required for each currency to buy an equal amount of goods.

a) PPP allows economists to make "apple to apple" comparisons among GDP and GNP data.

b) For example, although the GDP per capita in some Sub-Saharan countries is less than \$750, an evaluation of PPP shows the buying power is closer to 4000.

## F. Informal Sector

1. A country's or region's informal sector (or economy) includes all business transactions that were not reported to the government.

Ex) Unregistered Street Vendors and day laborers, drug dealers.

2. A country's GDP does not include transactions in the informal sector.

3. An informal sector of an economy exists for several reasons, including meeting a demand that the formal sector has not fulfilled.

a) Often, informal sector goods may be so inexpensive (such as street foods) that vendors cannot make enough profit to buy permanent stores.

b) Also, illegal immigrants risk deportation if they or their employers report earnings to the government.

## G. UN Human Development Index

1. (HDI) is a formula used by the UN to measure a country's development.

2. HDI is based on the ideas that human development is a process of expanding choice for more people thus pushing countries to improve their education, welfare, healthcare, and economic systems.

3. The HDI Equation uses GDP, Life expectancy, educational level attained, and literacy rates to estimate a country's development level and rank it.

4. Highest score is 1.000, lowest .000

## H. The Development Gap

1. The development gap is the widening difference between development levels in MDCs and LDCs.

2. MDCs are improving in their development levels faster than are LDCs

a) In the last decade, the GDP nearly tripled in MDCs but only doubled in LDCs.

b) The rate of population increase fell by nearly 85% in MDCs, but by less than 5% in LDCs

## I The North-South Gap

1. The North South gap refers to the pattern that MDCs are located primarily in the Northern Hemisphere, while LDCs are mainly in the Southern Hemisphere.