

PURPOSE

The purpose of this chapter is to acquaint students with the developing countries of the world (of which many students have not yet thought much about), as well as the conditions in and needs of these countries. If your students are like my students, they find very few courses (or course material) at their colleges/universities that focus on the countries of Africa, Asia, and Latin America. This is one reason why this chapter should not be deleted in courses pressed by time (that, plus the fact that almost four fifths of the world's population live in the developing world)!

LEARNING OBJECTIVES

The learning objectives for this chapter are:

1. to acquaint the student with the developing countries of the world.
 2. to help the student understand gross national income (GNI) per capita, the range of GNI per capita in developing countries and around the world, and the growth rate of gross domestic product (GDP) per capita.
 3. to point out to the student the flaws of using GNI and GDP data to measure the well-being of residents of developing countries, including problems relating to the composition of GDP and the distribution of income.
 4. to encourage the student to think about the real meaning of economic development, insofar as it includes a reduction in poverty, an improvement in standards of living (measured by life expectancies, infant mortality rates, and so on), and economic growth.
 5. to assist the student in considering many aspects of agricultural development as well as human and natural resource development.
 6. to help the student understand women's roles in development as well as the issues of population growth, AIDS, education, and microcredit.
 7. to assist the student in thinking about urbanization, employment, and rural-urban migration.
 8. to help the student develop the concept of people-oriented economic development that includes attention to women, indigenous people, and the poor.
 9. to help students become interested in learning more about developing countries, and to consider study abroad or other travel to any of these countries.
 10. to help students understand the role of violence in today's world and poverty.
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LECTURE SUGGESTIONS

- You may wish to point out to the students, as it is pointed out in the text, that this chapter relies on GNI data, where appropriate. The World Bank now uses GNI as its broadest measure of income. It is comparable in value to gross national product, but it more easily enables us to think in terms of income rather than output when appropriate.
- When discussing the three regions of the developing world, I always make copies of or project a map that shows all of the developing countries. It is useful to refer to this map when discussing a particular country or region.

- When I discuss price ceilings with students, I emphasize over and over that (1) price ceilings are placed low on the vertical axis, and (2) you do not shift any curves with price ceilings. (They always want to shift something!) I also insist that they label quantity demanded and quantity supplied *along* the quantity axis. (They like to place the labels somewhere within the graph itself!)
- Students have probably heard other professors and teachers speak to the problem of population growth and the need for developing countries with high population growth rates to develop family planning programs (often very stringent ones). Many students will be challenged by the less intrusive strategy of the text that focuses attention on development rather than population growth *per se*.
- Students, mostly conservative ones, may view the emphasis on “women in development” as biased. I think it needs to be emphasized that women and men in developing countries often have very different sets of responsibilities and constraints that must be addressed and that, by addressing gender issues, the well-being of the family and the country will be enhanced. The goal is to improve the living standards of everyone.

ADDITIONAL DISCUSSION AND ACTION QUESTIONS

Some of the following additional discussion questions may be helpful in preparing lectures.

1. How does the production possibilities curve, first discussed in Chapter 1, tie in with various aspects of development, including unemployment, scarcity, human resource development, natural resource development, agricultural development, industrial development, infrastructure development, and population growth? (For example, you may wish to place agricultural goods and manufacturing goods on the axes, or consumer goods and capital goods. Capital can include human capital and infrastructure.)
2. Consider the market for yams in Ghana, West Africa. Suppose the government imposes a price ceiling on yams. Label the price ceiling and label the new Q^D and Q^S of yams. What problems result from the price ceiling? While price ceilings have been eliminated on food items in many African countries in recent years, price ceilings continue to discourage production and constrain the incomes of rural producers in many other locations.

SOME ANSWERS AND COMMENTS ON THE TEXT DISCUSSION AND ACTION QUESTIONS

1. GNI per capita fails to account for the composition of GDP and the distribution of income. Better indicators focus on the end results of economic conditions and policy, such as average life expectancies, infant mortality rates, and literacy rates.
- 2–3. An alternative exercise would be to assign countries to students in order to examine a wide variety of regions.
4. Chapter 6 data reveal that income distribution in the U.S. is highly unequal. Many developing countries have much more equality.
5. There is hunger in a world of plenty because unequal income distribution prevents many low-income people and countries from purchasing food. (There is plenty of food available on the worldwide basis.) World hunger is caused by poverty (and violence).
6. Land reform is difficult to achieve, in part because larger landowners tend to be politically powerful. Some countries have found success by developing new land or by the government “selling off” its land, and awarding it to landless people or small landowners. Government confiscation of land without payment is probably most controversial. (Some economists recommend other government measures, such as education, training, and microcredit as means to initiate improvement in income distribution.)
7. These programs can directly improve people’s well-being, while at the same time improving their productivity and the productivity of the country.

8. Far too many development projects have failed because people, including women, have not been active participants in the process, including determining whether the program is desirable in the first place and how it can best be designed in order to meet their needs. Women also may have high maternal mortality rates and literacy rates that are far below those of men. Both for equity and efficiency reasons, women need to be targeted for assistance, especially insofar as women are the traditional food producers in many countries and generally have the greatest role in raising children.
9. Microcredit for women can enable them to greatly increase their productivity and thereby earn far more money for their labors than before. Studies show that these women spend their money largely to enable their children to attend school, thereby reducing poverty in future generations as well as now.
10. Efforts to improve conditions in cities of developing countries may encourage greater rural-urban migration, creating worsening urban problems. It is important to emphasize agricultural development and rural amenities alongside of urban improvements, in order to encourage many rural residents to stay in the rural sector.
11. Developed countries can play an important role through development assistance, debt relief, emergency food relief, fair trade and investment policies, environmental assistance, and reductions in their own agricultural subsidies and trade restrictions, among others. Ideally, donations of food aid should be purchased regionally in order to support the incomes of rural farmers. Maybe most importantly, developed countries should work to prevent the violent conflicts that create hunger, poverty, and homelessness. Individuals can become involved through individual charity, letters to legislators, and citizens' lobby organizations that keep members aware of legislation and action to reduce poverty. (Students can be referred to the Discussion and Action Question #13 in the text.)
12. Student activity.
13. Student activity.
14. Student activity.

SUGGESTED TEST QUESTIONS

Multiple-Choice Questions

1. Which of the following *is not* true? The developing regions of the world are defined as including:
 - a. **Eastern Europe.**
 - b. Latin America.
 - c. Africa.
 - d. Asia.
2. GNI per capita is calculated as:
 - a. GNI minus population.
 - b. GNI plus population.
 - c. GNI times population.
 - d. **GNI divided by population.**
3. According to the textbook, what country has the lowest GNI per capita?
 - a. Mexico
 - b. Brazil
 - c. Costa Rica
 - d. **Burundi**

4. According to the textbook, what country has the highest GNI per capita?
 - a. **Norway**
 - b. Japan
 - c. United States
 - d. Brazil

5. Which of the following is the most populated city in the world?
 - a. New York City
 - b. Los Angeles
 - c. **Tokyo, Japan**
 - d. Mexico City, Mexico

6. Which of the following developing countries has the highest average annual growth rate of GDP?
 - a. Zimbabwe
 - b. Haiti
 - c. Burundi
 - d. **Ethiopia**

7. If GNI equals \$100 million, and population equals 2 million, what is the value of GNI per capita?
 - a. **\$50**
 - b. \$50 million
 - c. \$102 million
 - d. \$200

8. The growth rate of GDP can be:
 - a. positive.
 - b. zero.
 - c. negative.
 - d. **All of the above**

9. The composition of GDP refers to:
 - a. the distribution of income.
 - b. the distribution of GDP.
 - c. **what GDP consists of.**
 - d. how rapidly GDP increases.

10. Which of the following measurements gives the *least* accurate indication of the economic well-being of people?
 - a. average life expectancy
 - b. **GDP growth**
 - c. distribution of income
 - d. infant mortality rate

11. The countries with the greatest equality in income distribution in the table in this chapter are:
 - a. Haiti and Belize.
 - b. Costa Rica and Zambia.
 - c. Venezuela and Botswana.
 - d. **Bangladesh and Burundi.**

12. The text identifies which possible alternative(s) to achieve more equitable income distribution?
 - a. eliminating price distortions
 - b. redistributing assets such as land
 - c. shifting government resources to programs benefiting the low income
 - d. **All of the above**

13. Which of the following is *not* part of a proper text definition of economic development?
- growth in GDP per capita
 - industrialization**
 - improvements in standards of living
 - reductions in poverty
14. Sierra Leone has among:
- the world's lowest life expectancies.
 - the world's highest infant mortality rates.
 - the world's highest average annual growth rates for developing countries.
 - All of the above**
15. "NICs" refers to:
- newly incorporated countries.
 - non-income earnings countries.
 - newly industrializing countries.**
 - nonincorporated countries.
16. Capital intensive technology:
- utilizes much capital relative to labor.
 - has been part of many industrialization strategies.
 - may not be appropriate for countries with high levels of unemployment.
 - All of the above**
17. The agricultural sector is important in many developing countries because:
- it is where most of the poor live.
 - it often offers the greatest potential for development.
 - it often offers the greatest potential for employment.
 - All of the above**
18. Price ceilings on food products in developing countries contribute to:
- shortages of food.
 - reduced incentives for food production.
 - reduced incomes of farmers.
 - All of the above**
19. The text suggests which principle about international food aid?
- Emergency food aid is harmful.
 - Food aid lowers food prices, which helps low income farmers.
 - Continuous non-emergency food aid can hinder economic development.**
 - U.S. food aid is very efficient in its distribution.
20. The situation whereby managers buy up grain in years of high production and sell off grain in years of low production refers to:
- export cropping.
 - export management.
 - buffer stocks.**
 - land reform.
21. "Social overhead capital" is the definition of:
- industry.
 - infrastructure.**
 - education.
 - government.

22. Which of the following *is not* an investment in human capital?
- education
 - training
 - industry**
 - healthcare
23. Women in developing countries often:
- have much lower literacy rates than men.
 - are primarily responsible for production of subsistence food crops.
 - lack access to extension services and credit opportunities.
 - All of the above**
24. According to the textbook, what city has the largest population?
- Tokyo, Japan**
 - Mexico City, Mexico
 - New York, United States
 - Mumbai (Bombay), India
25. Which of the following is *not* generally a characteristic of informal sector employment?
- low incomes
 - industrial production**
 - irregular work hours
 - service work

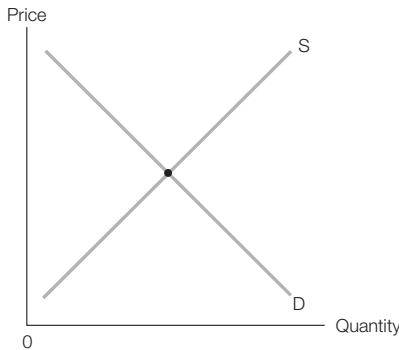
True-and-False Questions

- The United States has the world's highest GNI per capita. (F)
- Infant mortality rates show the number of babies who die before age two, per 1,000 live births. (F)
- Belize, Bolivia, and Venezuela have relatively equal income distributions. (F)
- The level of GNI per capita is more important in terms of peoples' well-being than the distribution of income and the composition of output. (F)
- South Korea has been classified as a newly industrializing country. (T)
- Export cropping refers to a pattern of agricultural production for export. (T)
- Agricultural price ceilings generally create surpluses. (F)
- A major issue for indigenous people in Chiapas is the right to land. (T)
- Investments in human capital improve productivity and standards of living. (T)
- Health and education are investments in human capital. (T)
- Social overhead includes roads and communications. (T)
- The clearing of trees in forested areas is the definition of desertification. (F)
- Desertification may result from deforestation. (T)
- Informal employment consists primarily of service occupations. (T)
- Economic development generally results in lower birthrates. (T)
- Women in developing countries typically have literacy rates below those of men. (T)
- Underemployment includes the situation where people work a limited number of hours. (T)

18. Rural-urban migration is the movement of people from the urban sector to the rural sector as they search for more peaceful lifestyles. (F)
19. Labor-intensive technology utilizes large amounts of labor relative to capital. (T)
20. Conservative economists generally favor a growth-oriented strategy for economic development. (T)
21. Most of the world's poor live in Africa. (F)
22. Most of the world's poorest *countries* are in Africa. (T)
23. Haiti has a very unequal income distribution, whereas Bangladesh and Burundi have more equal ones. (T)
24. The opening quotation in the chapter takes place in the aftermath of Donald Trump's references to African nations as "sh*t-hole countries. (T)
25. The average annual growth rate of GDP is relatively high in Ethiopia and low (or negative) in Central African Republic. (T)
26. Burundi is considered to be a middle-income country (in terms of GNI per capita). (F)
27. Economic development is the same as economic growth. (F)
28. Most of the world's poor live in the rural sector. (T)
29. Price ceilings on food benefit all developing country residents. (F)
30. World hunger is caused by insufficient food produced in the world. (F)
31. AIDS is a serious issue for both women and men in Africa. (T)
32. In this chapter, the text measures income distribution by the share of total income going to the poorest 20% of the country's population. (T)
33. Life expectancy in Cuba, Costa Rica, and Vietnam is relatively high in comparison with many African countries. (T)
34. Infant mortality rates are relatively high (bad) in Costa Rica and Vietnam in comparison with many African countries. (F)
35. Life expectancies and infant mortality rates experience fewer measurement problems than GNI and GDP statistics. (T)
36. Over-urbanization refers to a situation when an urban environment cannot provide adequate jobs and services for its people. (T)
37. Surprisingly, Madagascar, Ghana, and Ethiopia have the highest percentages of their urban population provided with sanitation. (F)
38. The maternal mortality rate is the number of deaths of women for pregnancy-related reasons per 100,000 live births. (T)
39. You author discovered that women receiving microenterprise credit chose to spend most of their higher incomes on consumer goods. (F)

Short-Answer Questions

1. Consider the market for sugar cane in Mexico. Label a price ceiling along the price axis. Label the new quantity demanded (Q^D) and quantity supplied (Q^S) along the quantity axis. (Hint: the price ceiling must be at a level below the equilibrium price to be effective.) What is the problem that results? (**shortage**)



Mexico Sugar Cane Market

2. Suppose GDP grows in a Latin American country by 10% over 5 years. What is the average annual growth rate of GDP? (**2%**)

Critical Thinking Question

If you were a policymaker in a developing country, what strategies would you use to overcome the typical problems experienced by developing countries in your efforts to achieve economic development? What is the role of violence in economic development?

INTERNET RESOURCES

<http://www.ciee.org>

Have you ever considered travelling to developing countries in Africa, Asia, or Latin America? Short-term faculty development seminars can provide a wealth of information in a fairly manageable context and enable faculty to speak to students with much more credibility and interest than is otherwise possible. Theory and data come to life when instructors relate it to their real world experiences. This is the website for the Council on International Educational Exchange, which offers short-term faculty development seminars throughout the world, as well as travel programs for students.

<http://www.augsburg.edu/global>

(This is the site for the Center for Global Education at Augsburg College in Minneapolis. This organization also offers short-term faculty development seminars, as well as short-term and semester student programs.)

<http://www.worldbank.org>

(The World Bank site provides a wealth of information on economic and socioeconomic data pertaining to virtually all countries of the world.)

<https://www.cia.gov/library/publications/the-world-factbook/index.html>

(This U.S. CIA site also contains a variety of statistics on a country by country basis.)

<http://www.unaids.org>

(This UN site provides global information on HIV/AIDS.)