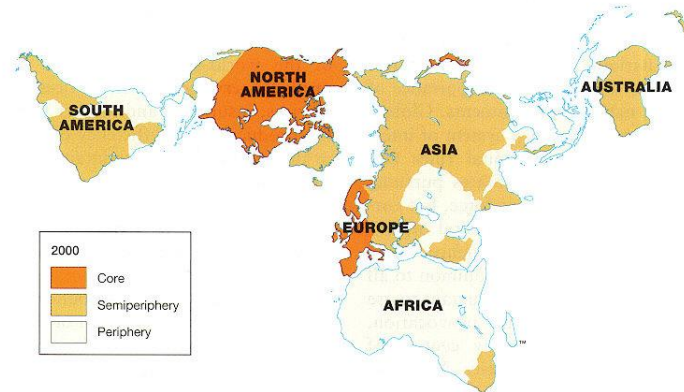
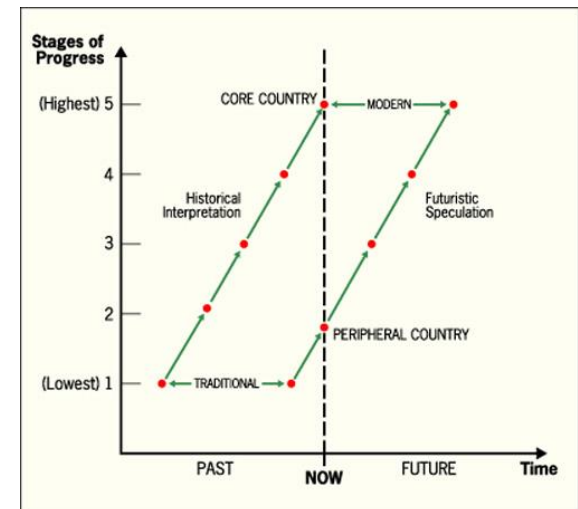


# Wallerstein's World System Theory

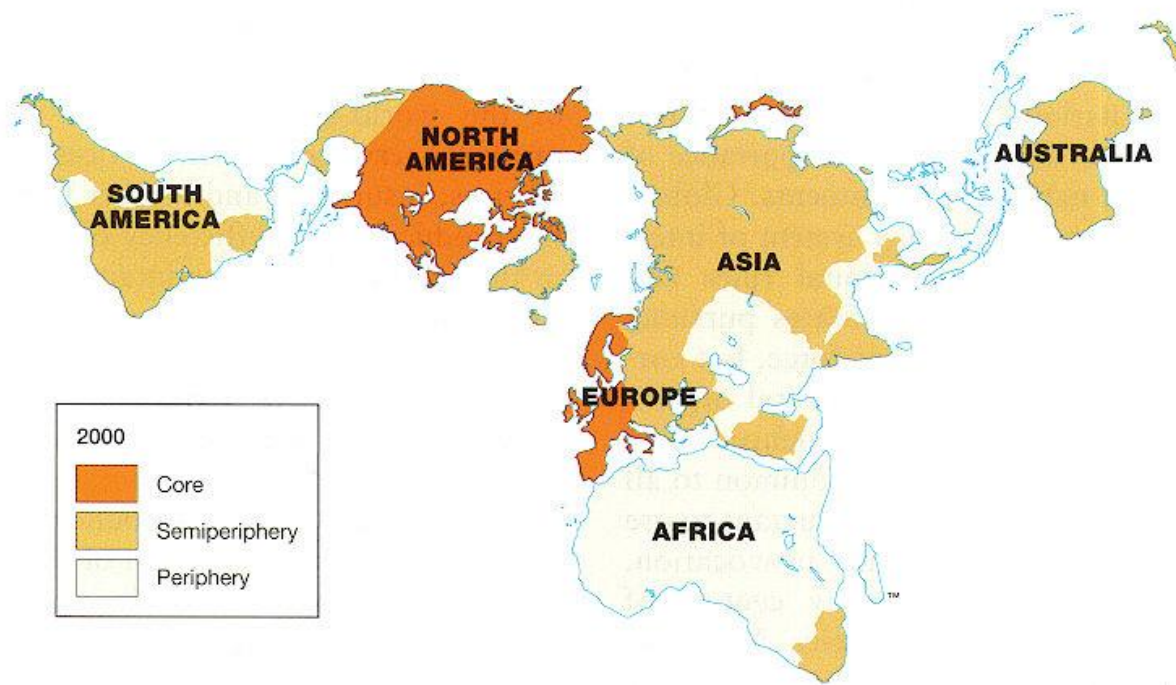


# Rostow's States of Economic Growth



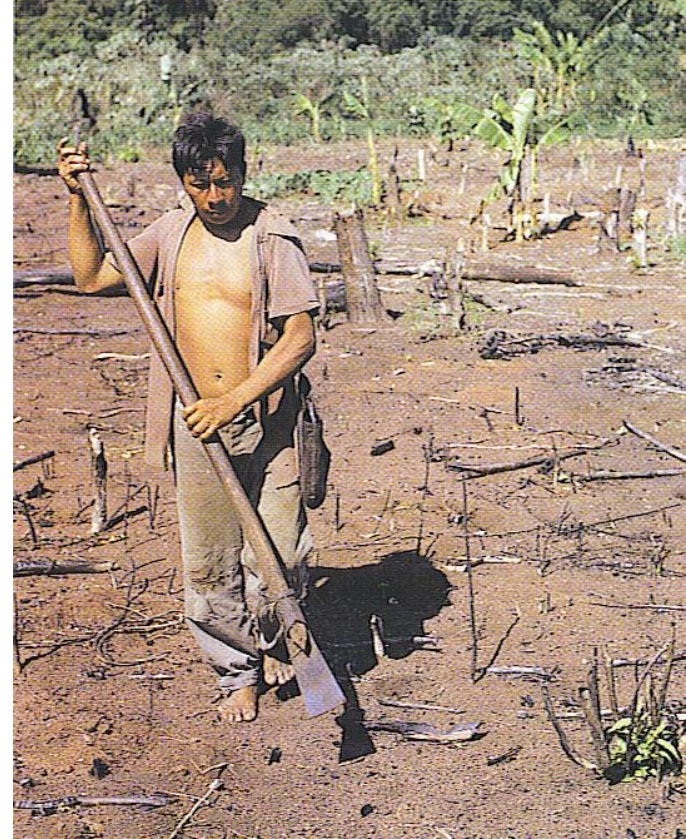
# Core-Periphery Model

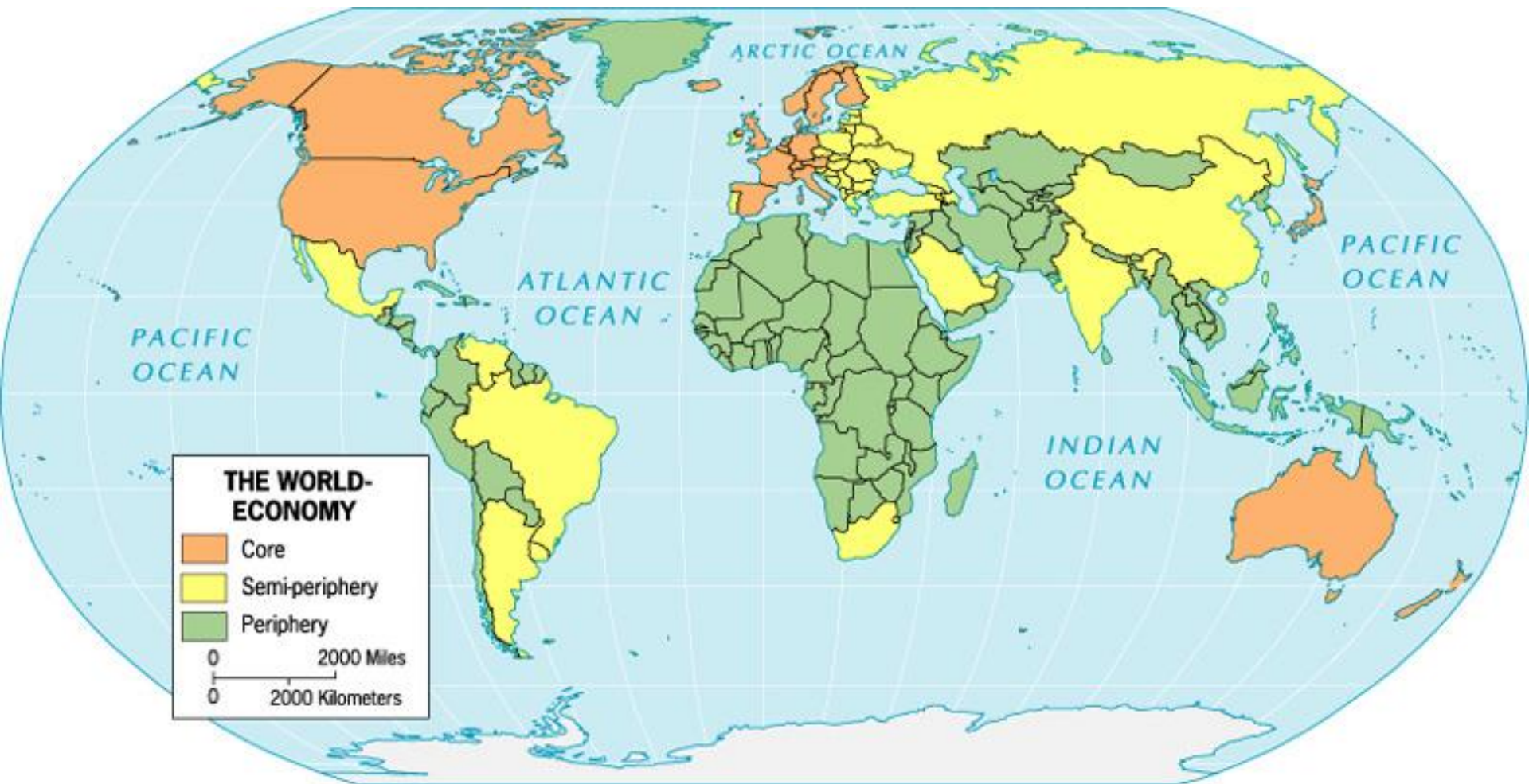
- **Immanuel Wallerstein** proposed the World Systems Theory with promoted the Core-Periphery concept.
- Unlike the term-developed and developing, the Core-Periphery Model does not imply that change will occur.
- Core-Periphery regionalism got its start during the period of colonialism was re-enforced by the Industrial Rev. and continues in the age of globalization.



# Core-Periphery Model

- New approach to developed or underdeveloped idea
- **Core-Periphery** also used in a political context
- **Core**-the nations with a high level of prosperity with dominant economies globally
- **Semi-Periphery**-better off than periphery, but still dominated by the core to some degree
- **Periphery**-poor nations that are dependent on the core as markets for raw materials and sources of technology





# What is the core area/region?

- In economic geography a “core region” is the national or world districts of concentrated economic power, wealth, innovation and advanced technology
- In political geography the heartland (nucleus/center) of a state containing its most developed area, greatest wealth, densest population and clearest national identity (this decreases as you move into the periphery area away from the core)

# Three Tier Structure

## Core

Processes that incorporate higher levels of education, higher salaries, and more technology

\* Generate more wealth in the world economy

## Periphery

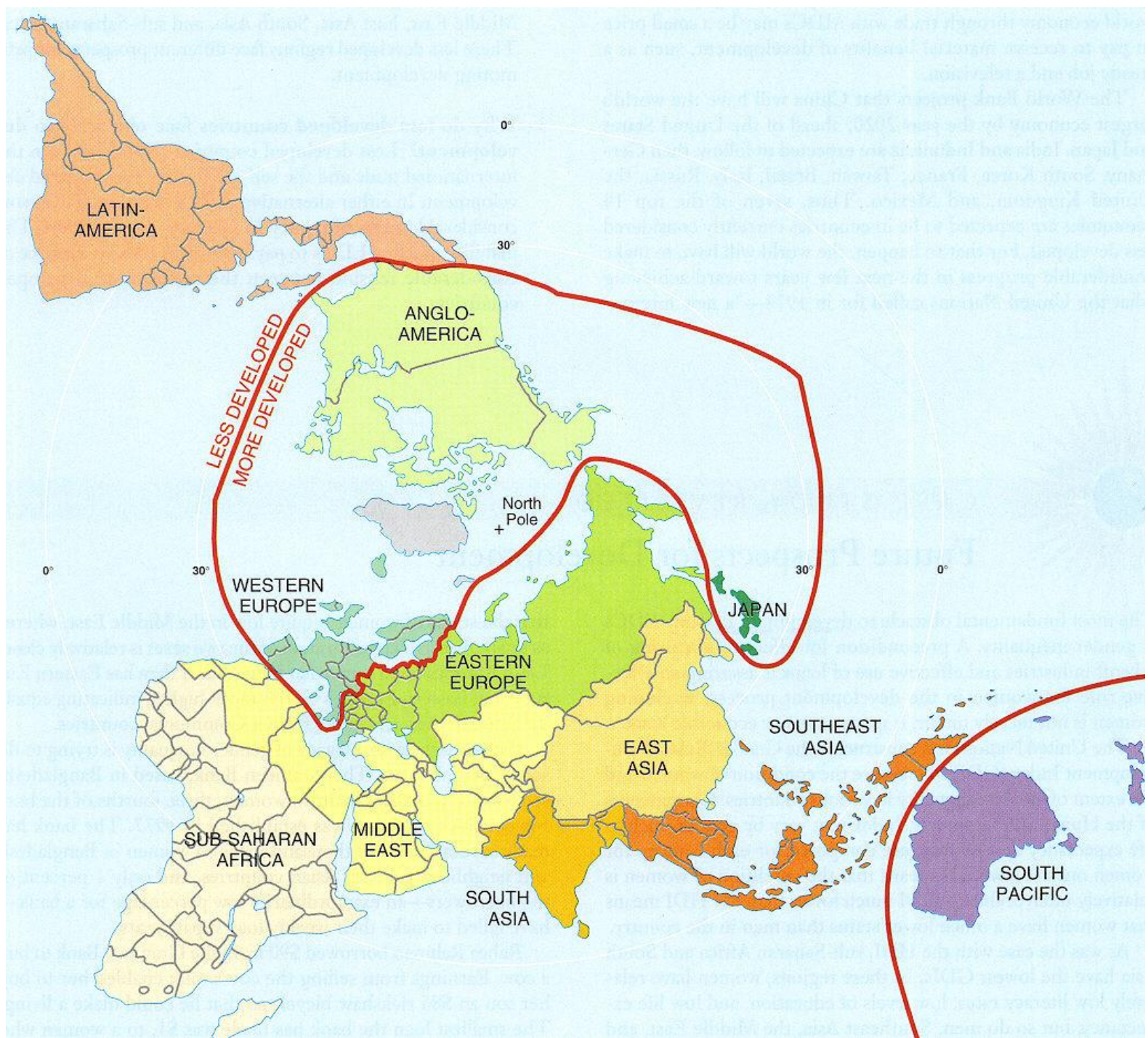
Processes that incorporate lower levels of education, lower salaries, and less technology

\* Generate less wealth in the world economy

## Semi-periphery

Places where core and periphery processes are both occurring. Places that are exploited by the core but then exploit the periphery.

\* Serves as a buffer between core and periphery



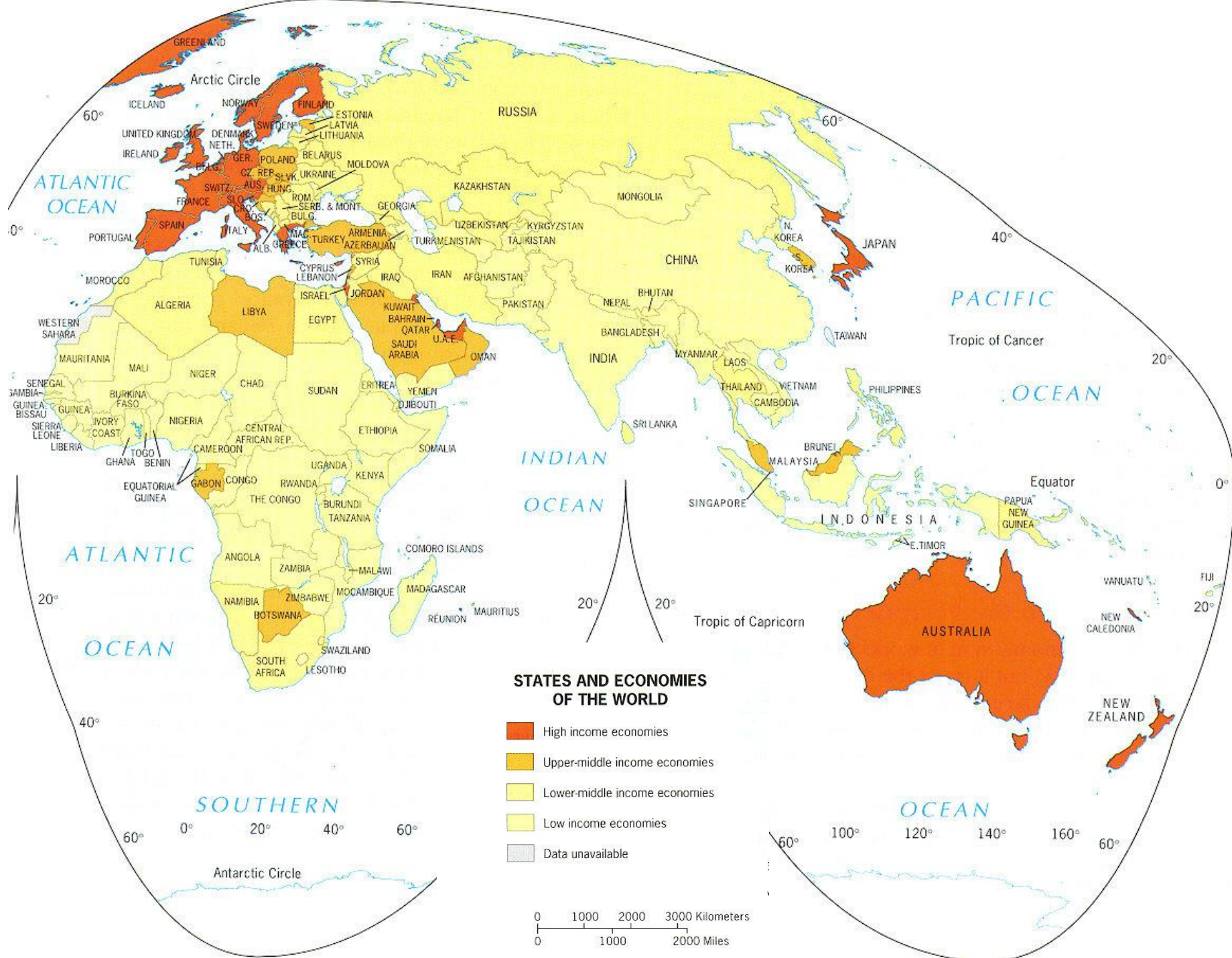
### STATES AND ECONOMIES OF THE WORLD

- High income economies
- Upper-middle income economies
- Lower-middle income economies
- Low income economies
- Data unavailable

0 1000 2000 3000 Kilometers  
0 1000 2000 Miles







GREENLAND

Arctic Circle

60°

60°

ATLANTIC OCEAN

PACIFIC OCEAN

Tropic of Cancer

20°

OCEAN

Equator

0°

ATLANTIC OCEAN

INDIAN OCEAN

Tropic of Capricorn

OCEAN

SOUTHERN OCEAN

Antarctic Circle

20°

40°

60°

0°

20°

40°

60°

20°

20°

60°

100°

120°

140°

160°

60°

ICELAND

UNITED KINGDOM

IRELAND

PORTUGAL

MOROCCO

WESTERN SAHARA

MAURITANIA

SENEGAL

JAMBIA

GUINEA

BISSAU

SIERRA LEONE

LIBERIA

GHANA

BENIN

EQUATORIAL GUINEA

GABON

CAMEROON

ANGOLA

NAMIBIA

SOUTH AFRICA

LESOTHO

SWAZILAND

REUNION

MAURITIUS

MADAGASCAR

COMORO ISLANDS

MALAWI

ZAMBIA

BOTSWANA

ZIMBABWE

THE CONGO

RWANDA

BURUNDI

TANZANIA

ETHIOPIA

NORWAY

FINLAND

ESTONIA

LATVIA

LITHUANIA

GERMANY

POLAND

CZ. REP.

SLOVAKIA

HUNGARY

FRANCE

ITALY

ROMANIA

SERBIA & MONTENEGRO

BULGARIA

GREECE

MACEDONIA

ALBANIA

TURKEY

ARMENIA

AZERBAIJAN

GEORGIA

ARMENIA

SYRIA

JORDAN

IRAQ

IRAN

AFGHANISTAN

PAKISTAN

NEPAL

BHUTAN

INDIA

SRILANKA

MYANMAR

LAOS

THAILAND

RUSSIA

KAZAKHSTAN

MONGOLIA

CHINA

INDONESIA

PHILIPPINES

Vietnam

Malaysia

BRUNEI

SINGAPORE

INDONESIA

PAPUA NEW GUINEA

NEW ZEALAND

NEW CALEDONIA

FIJI

VANUATU

TAIWAN

KOREA

JAPAN

U.S.A.

QATAR

SAUDI ARABIA

BAHRAIN

KUWAIT

OMAN

YEMEN

DJIBOUTI

SOMALIA

ERITREA

SUDAN

CHAD

NIGER

MALI

BURKINA FASO

IVORY COAST

WESTERN SAHARA

# Global Economic Disparities

- Much of the disparity existed as Colonialism was established by European nations.
- **The Industrial Revolution** increased the need for raw materials and markets for finished goods.
- **Neo-colonialism** refers to the economic dominance of the core over the former colonial nations-economic rather than political control



# Conditions in the Periphery

- High birth rates, moderate death rates and low life expectancy
- High infant mortality rates-large population under age 15 yrs.
- Poor health care & shortage of doctors-disease is common
- Poor sanitation and lack of fresh, clean water
- Poor nutrition and protein deficiency
- Low per capita income with many women & children doing hard manual labor
- High illiteracy rate with low levels of education
- Great disparity between rich & poor, small middle class
- Urban areas overcrowded, lack of services, rapid urban migration
- Subsistence farming on small landholdings

# Conditions That Hamper Development

- Political instability and corruption
- Exploitation of natural resources and workers regardless of consequences
- Dependence of agricultural products or primary products such as mineral resources
- Misuse of foreign assistance
- Misguided priorities
- Cultural resistance to modernization



# Costs of Economic Development

- **Industrialization**

- Export Processing Zones (EPZs), maquiladoras, and special economic zones (SEZs).

- **Agriculture**

- Subsistence and agricultural conglomerates
- Desertification-especially in Africa
- Soil erosion

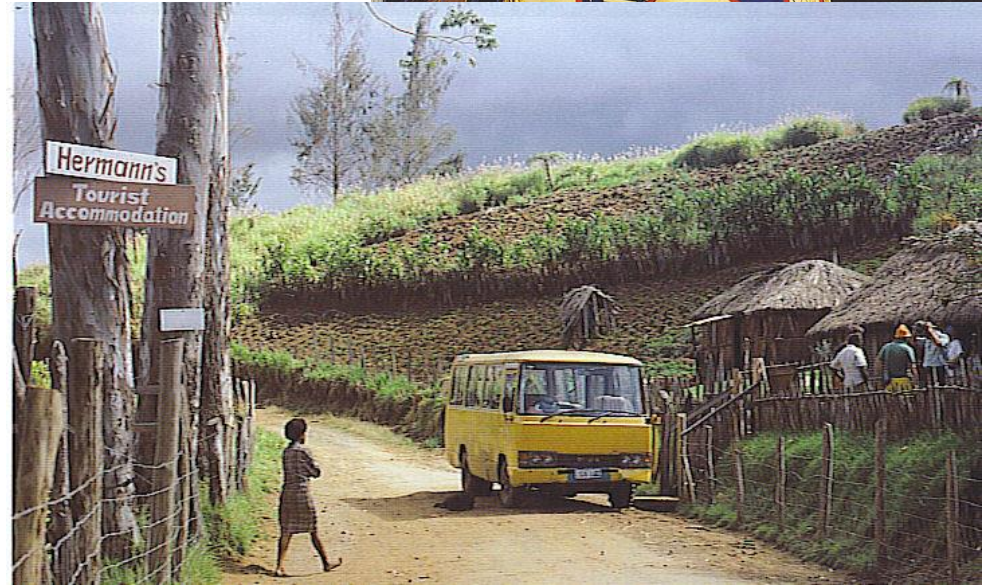
- **Tourism**-may have serious negative consequences

- Use of scarce commodities
- Foreign investors make the profit



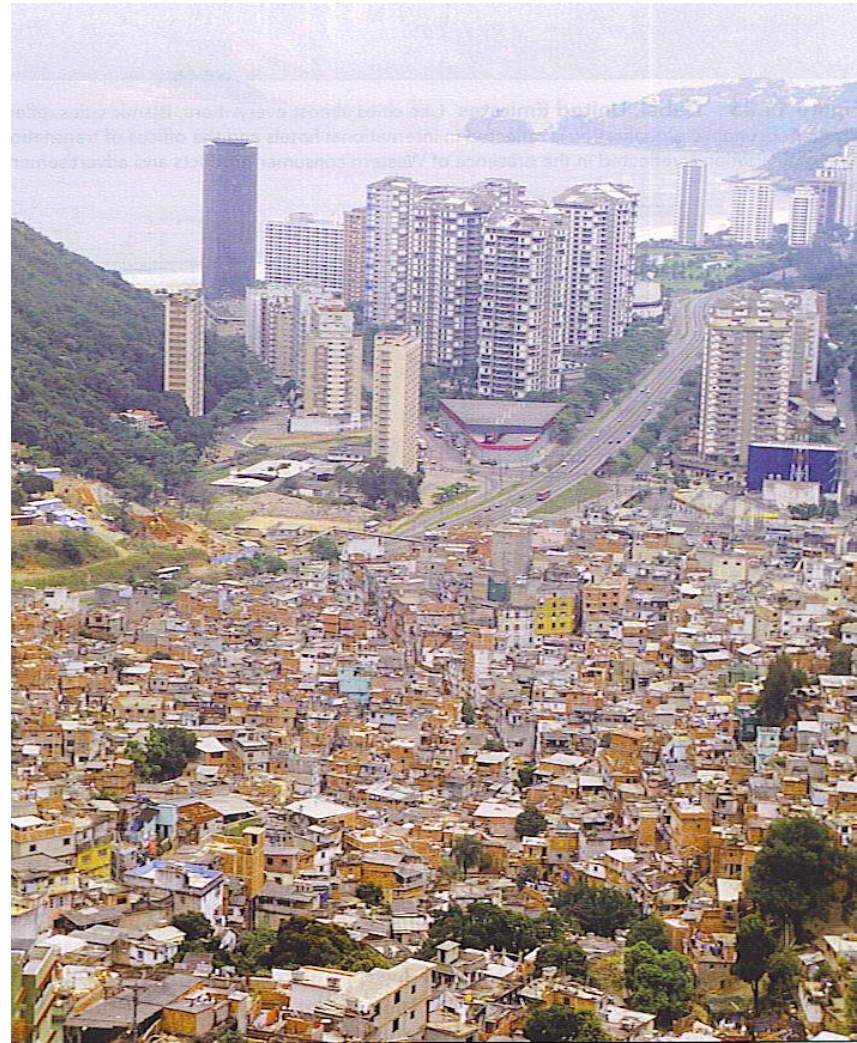
# Tourism: Boom or Bust

- Tourism contributes little to a country's development & may have serious negative effects on the culture
- Hotels & other facilities are often owned by transnational corporations which take the profits out of the country
- Tourism jobs can be demeaning & dehumanizing or even insulting
- Tourism jobs pay minimal wages for menial tasks



# Tourism: Boom or Bust

- Profits are reinvested in airports, cruise ship ports & other infrastructure to serve tourists
- Tourists use up valuable resources such as food & fresh water
- Tourism can debase or change a local culture
- An invasion by wealthy foreigners can breed hostility and resentment
- Harsh contrast between gleaming modern tourist hotels and poor workers housing





# Other LDC challenges...

- LDC's like all societies need to choose what economic model of development they will follow/pursue.
- There are arguments for both – but it is fair to say that the International Trade model has trumped the Self Sufficiency model

# Two Paths to Development

- Self-sufficiency: countries encourage domestic production of goods, discourage foreign ownership of businesses and resources, and protect their businesses from international competition.
- International trade: countries open themselves to foreign investment and international markets

# Self-Sufficiency Model



# Self-Sufficiency Model

Promote growth in ALL sectors, not just competitive ones.

Encourage production for DOMESTIC sale.

Growth should be SLOW RESTRICT competitive imports

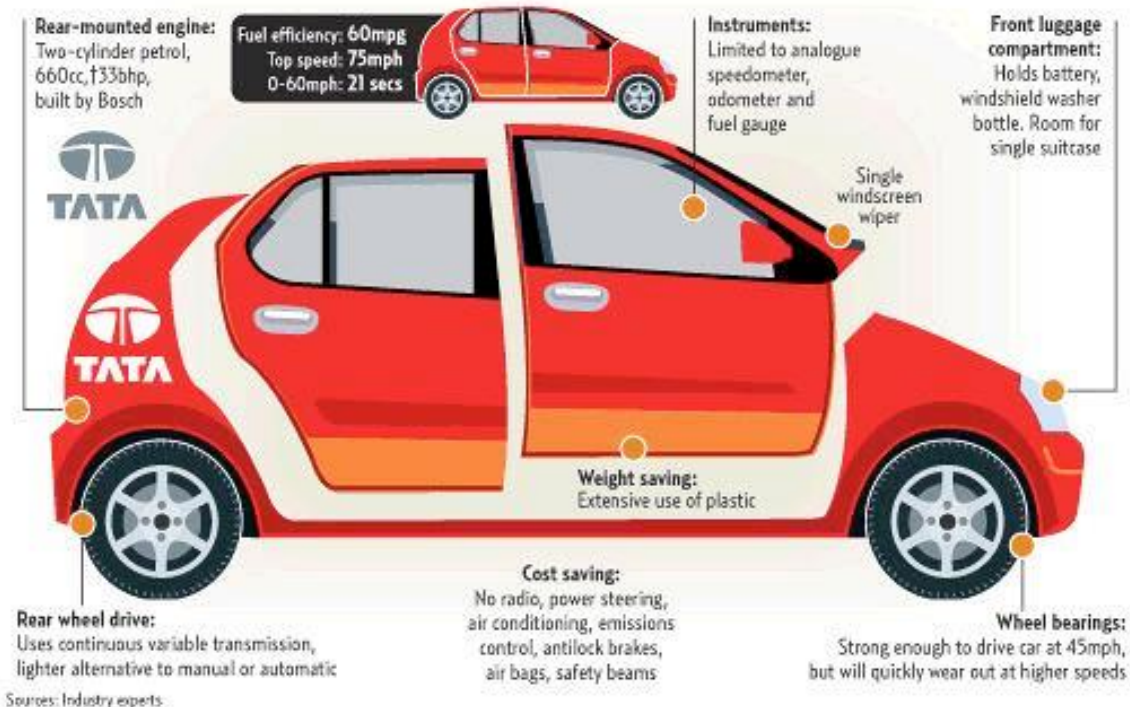
Reducing POVERTY is more important than getting rich HIGH taxes

RESTRICT total number of imports and sometimes exports.

Regulate IMPORTERS (licenses, rules, tariffs)

## Building the world's cheapest car

The cheapest car in the world, set to sell for just \$2,500, is being unveiled at the Delhi Auto Expo by the Indian car manufacturer Tata Motors. The "one lakh" – slang for 100,000 rupees – people's car is aimed at the country's 65 million scooter riders currently unable to afford a car



# Self – Sufficiency Model of Dev.

- Attempted by many LDC's (Africa, Asia, South America)
- Spread investment evenly throughout your country. High levels of government control, planning, large bureaucracy.
- Growth may be modest, but at least it is even.
- People don't get super rich, but poverty as a whole is contained (in theory)

# Self-Sufficiency contd...

- Countries protect, isolate their businesses from outside competition.
- Protectionism does not produce products that the people may want, or that are any good.
- India is a great example...

# India



# India

**LARGE** bureaucracy to  
administer rules  
**Actually MOVED AWAY**  
from this recently



© Rajan Chari



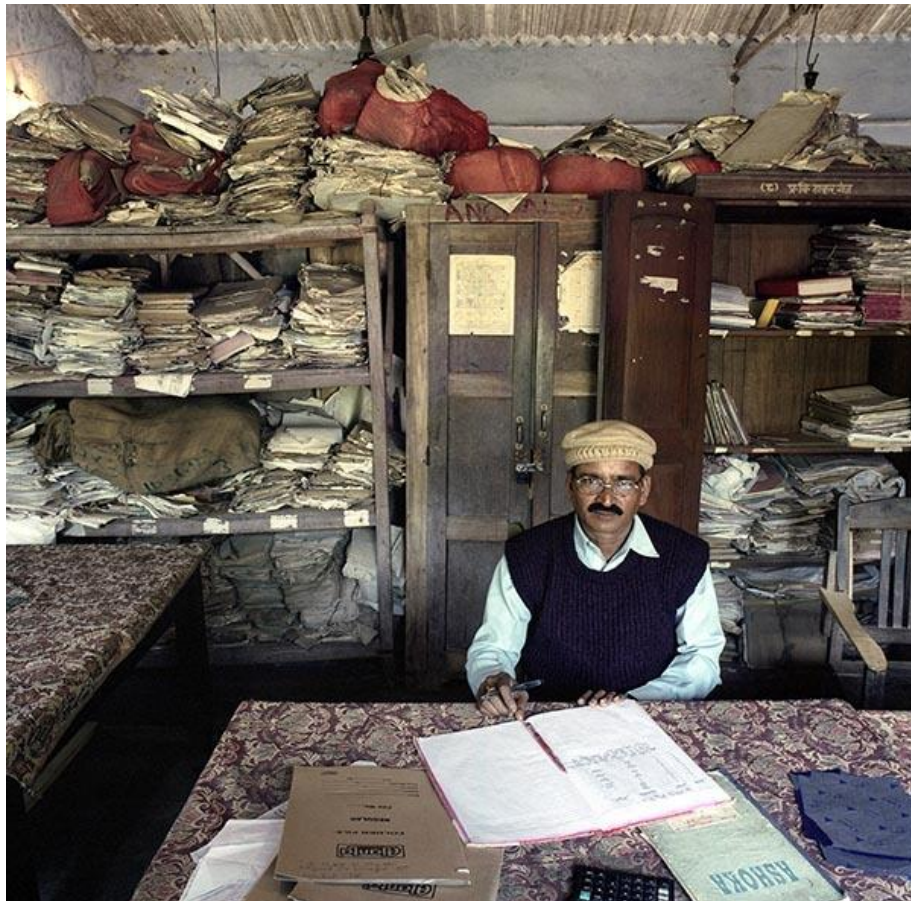
# Problems of Self-Sufficiency

- Protection of inefficient businesses that the government subsidizes oftentimes



# Problems...

- Need for large bureaucracy (oftentimes corrupt)



# International Trade Approach

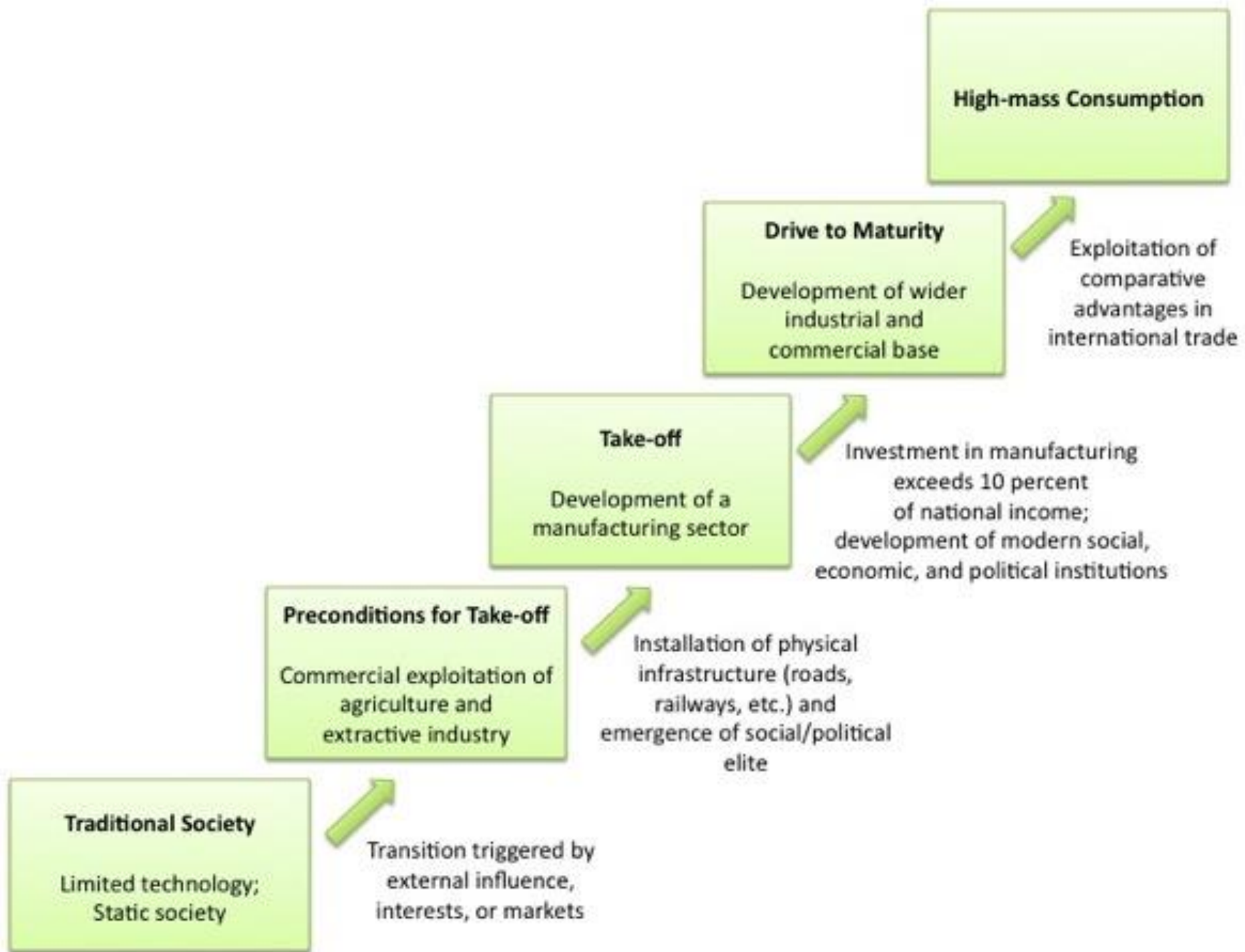
- Rostow's Developmental Model:
  - Countries are like people, they go through stages of development
  - Rostow, University of Chicago Economist, came up with the following scheme in the 1950's to explain how a country develops economically.
  - Rostow explains how a country utilizes international trade:

# Development Models

## Modernization Model

**Walt Rostow's** model assumes all countries follow a similar path to development or modernization, advancing through five stages of development, climbing a ladder of development.

- traditional
- preconditions of takeoff
- takeoff
- drive to maturity
- high mass consumption



## Rostow's Theory of Industrial Development

Characteristics	Stage One: The Traditional Society	Stage Two: Preconditions for Takeoff	Stage Three: Takeoff	Stage Four: Drive to Maturity	Stage Five: Age of Mass Consumption
<b>Economy</b>	<ul style="list-style-type: none"> <li>largely agricultural (&gt;75%)</li> <li>limited production</li> </ul>	<ul style="list-style-type: none"> <li>surplus of agr. &amp; capital</li> <li>expansion of trade &amp; manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>rapid expansion of industry</li> <li>surge of technology</li> <li>commercial agr.</li> </ul>	<ul style="list-style-type: none"> <li>technology extends to all sectors</li> <li>labor-saving devices are made</li> </ul>	<ul style="list-style-type: none"> <li>more use and production of durable goods</li> <li>service sector dominates (&gt;50%)</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>hierarchical social structure</li> </ul>	<ul style="list-style-type: none"> <li>beginnings of a commercial class w/ some urbanization</li> </ul>	<ul style="list-style-type: none"> <li>increasingly dominant entrepreneurial class</li> </ul>	<ul style="list-style-type: none"> <li>urbanization</li> <li>increase in skilled and professional workers</li> </ul>	<ul style="list-style-type: none"> <li>new middle class</li> <li>shift to the suburbs</li> <li>population growth stabilizes</li> </ul>
<b>Political Power</b>	<ul style="list-style-type: none"> <li>regionally-based in the hands of the landowners</li> </ul>	<ul style="list-style-type: none"> <li>centralized national government</li> </ul>	<ul style="list-style-type: none"> <li>powerful factions encourage modernization</li> </ul>	<ul style="list-style-type: none"> <li>industrial leaders are highly influential</li> </ul>	<ul style="list-style-type: none"> <li>social welfare</li> <li>more resources for military &amp; security</li> </ul>
<b>Values</b>	<ul style="list-style-type: none"> <li>resist change, focus on old traditions</li> </ul>	<ul style="list-style-type: none"> <li>rising spirit of progress and openness</li> </ul>	<ul style="list-style-type: none"> <li>increased investment of capital for profit</li> </ul>	<ul style="list-style-type: none"> <li>emphasis on technology</li> <li>expectation of progress</li> </ul>	<ul style="list-style-type: none"> <li>increased acquisition of consumer goods</li> </ul>

# 1<sup>st</sup> Stage-Traditional Society

- Has not begun to develop economically. Most people work in agriculture, country's wealth is in non-productive sectors of the economy: military, religion.
- Subsistence farms-limited technology
- Rigid social structure
- Resistance to change-transition triggered by external influence



# 2<sup>nd</sup> Stage-Preconditions of Takeoff

- Leadership (well educated – see a new path) emerges to take society out of its traditions to a ‘new’ way. Gains some control and institutes changes, investment – education, infrastructure – foreign relations.
- Progressive Leadership-commercial exploitation of agriculture & extractive industries
- Greater flexibility-installation of infrastructure-roads, railways, etc.
- Greater openness to new technology
- Greater Diversity of products produced





# Stage 3-Takeoff

- 2<sup>nd</sup> Stage takes root so Stage 3 can begin. Economic growth seen in some sectors – low skill manufacturing – still remnants of the traditional society in existence.
- Advances to the society are in motion
- Experiences industrial growth/industrialization
- Urbanization
- Technology & mass production



# 4<sup>th</sup> Stage – Drive to Maturity

- More technology diffused in many industries
- Overall economic growth
- Diffusion of technology
- Industrial specialization and more skilled workers
- International trade
- Modernization at the core
- Population growth is reduced

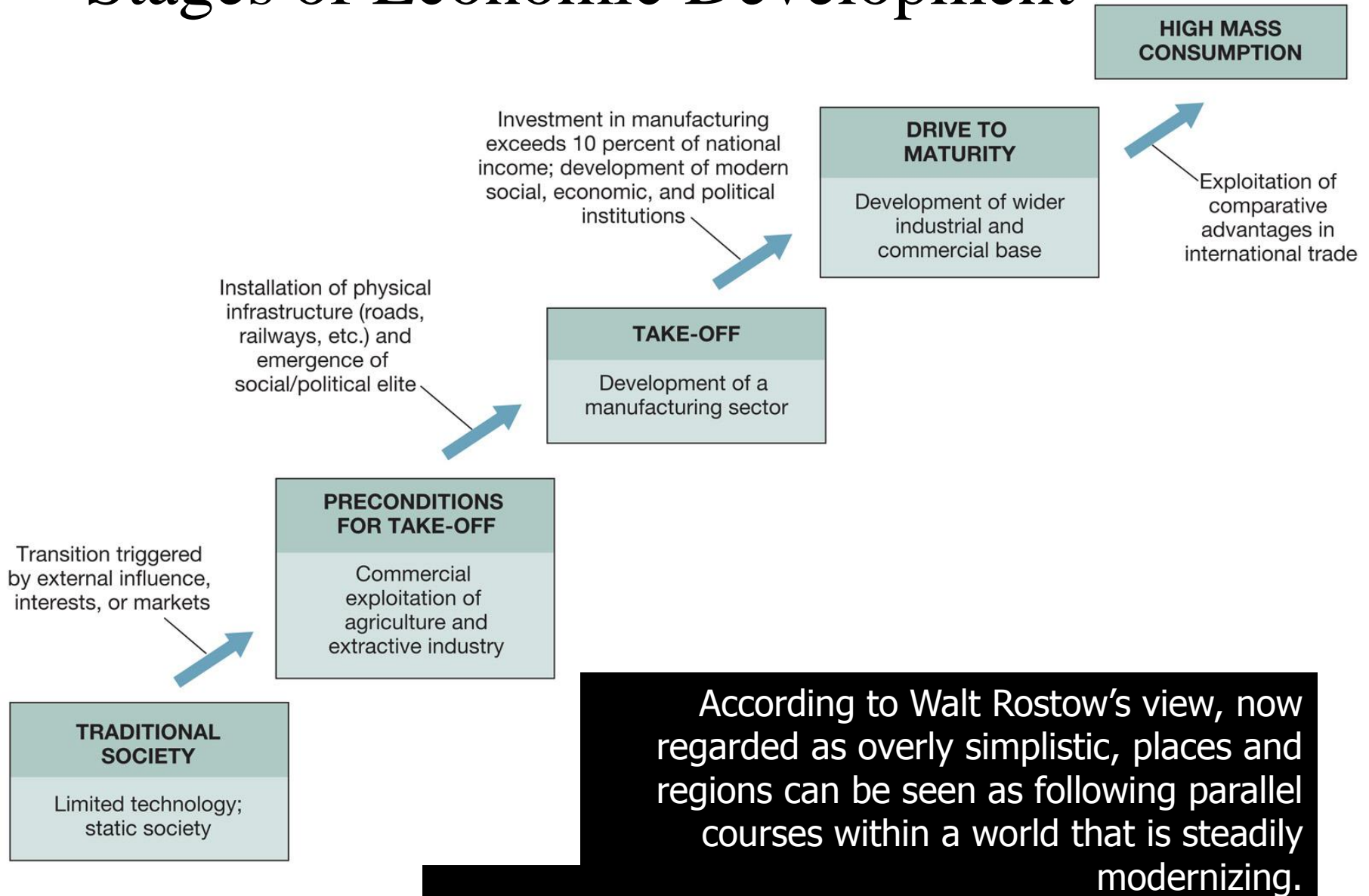


# 5<sup>th</sup> Stage – Mass Consumption

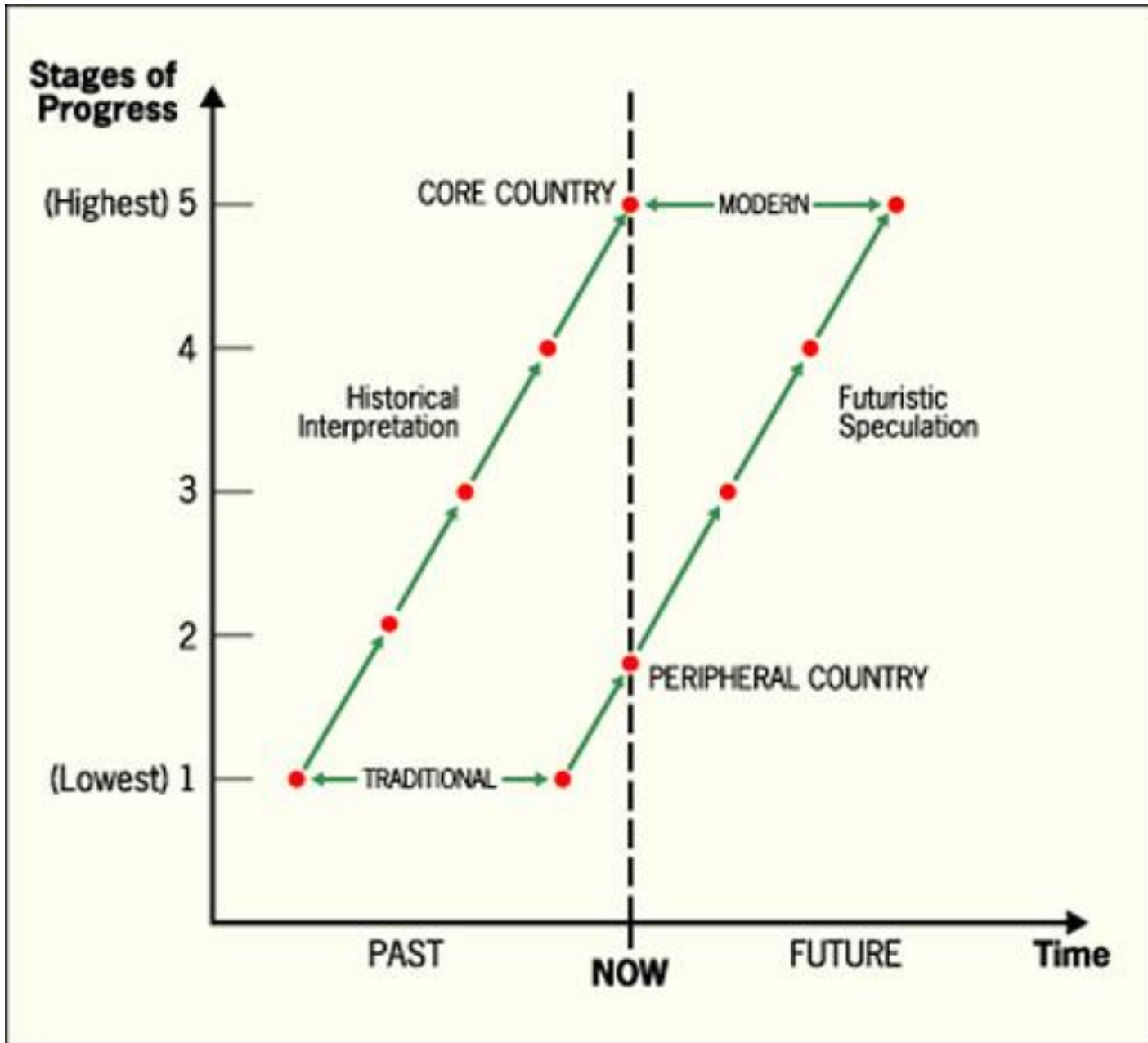
- Economy shifts from production to consumption
- The Wal-Mart effect
- Less emphasis on basic heavy industries and more on specialty products with high costs
- Mass consumption-widespread production of goods & services
- High incomes
- Majority of workforce in service sector



# Stages of Economic Development



# Rostow's Ladder of Development



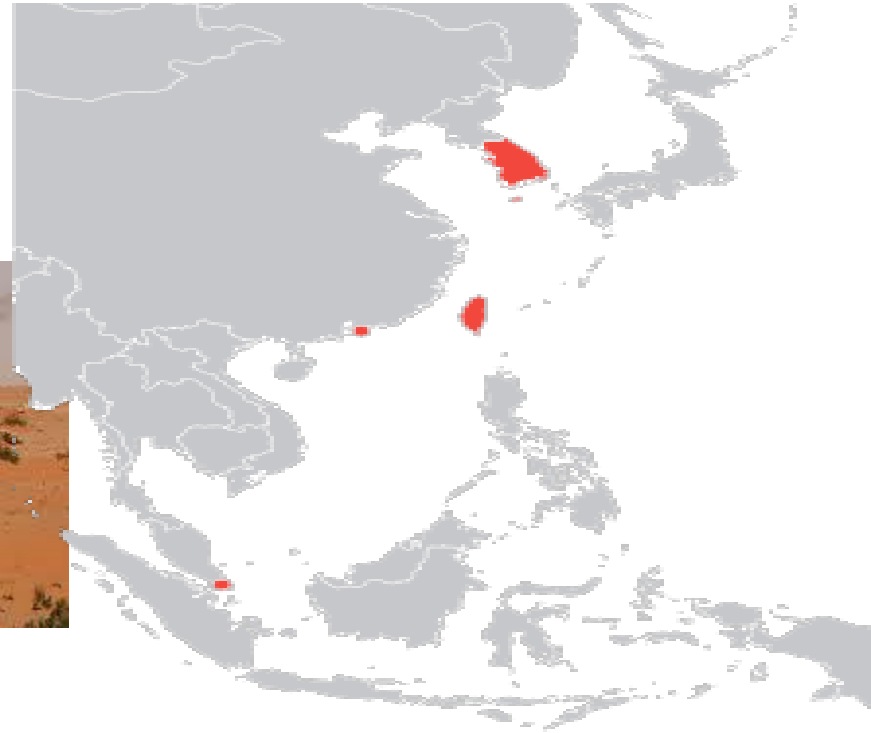
# Each stage...

- There are more international trade and connections made.



# Examples of International Trade:

- Four Asian Dragons: Taiwan, South Korea, Singapore, Hong Kong
- Middle East: oil



# The Four Asian Dragons

- South Korea
- Singapore
- Hong Kong
- Taiwan



**Have focused on inexpensive clothing, toys, and electronics. Moving to other HIGH TECH products**



# Problems with Int. Trade

- **Uneven resource distribution:** if you are a country that sells something not so desirable, you may not be able to afford those things you really need. (Or a country that doesn't have many natural resources.)
  - Zambia: has copper but cannot get much \$ for it – needs oil...



# Problems...

- **Increased dependence on MDC's.** LDC's create industries that do not directly benefit their people – but they get \$ and jobs. So no one is farming – where do we get the food?  
MDC's...



# Problems...

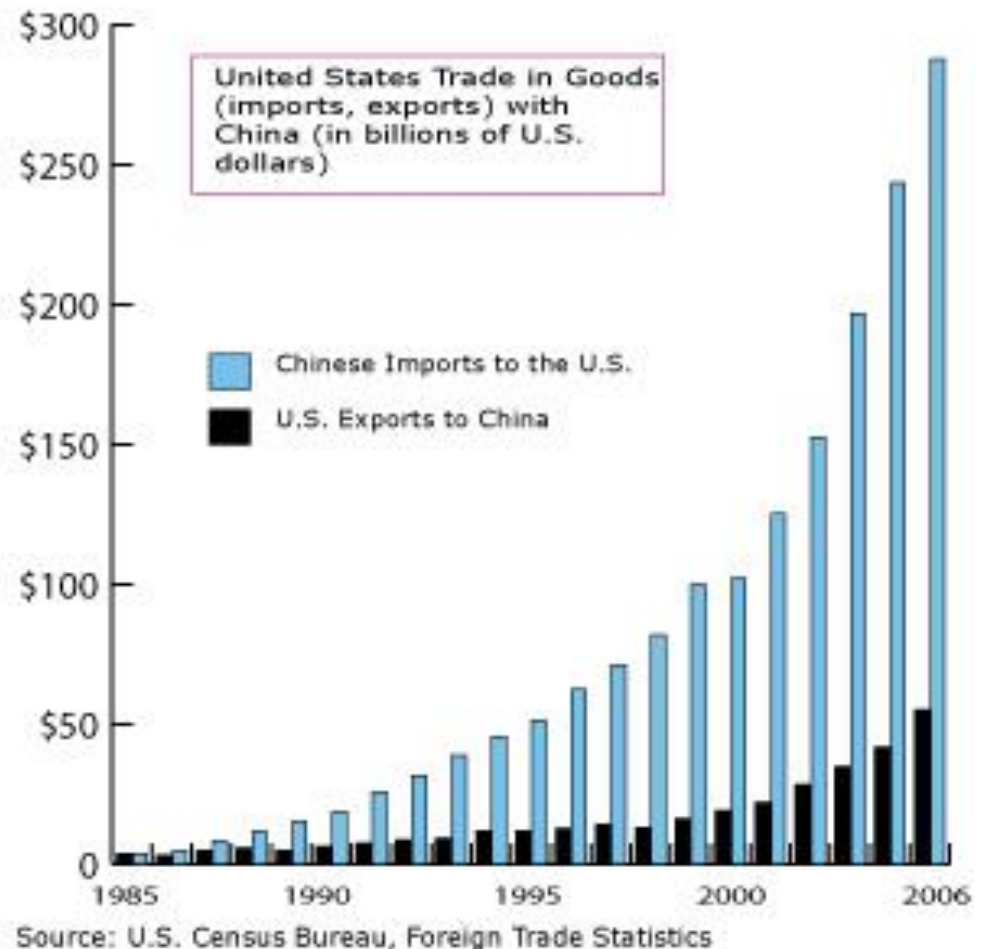
- **Market Decline:** What if the price of what you sell drops? Cacao? Coffee beans? Copper? What if the MDC's stop buying your cheaply made stuff because MDC's economies are not doing well?
- Markets are not endless and fluctuate and competition is high
- Based on continual growth which isn't sustainable
- Consumer population of MDCs is decreasing (think of pop pyramids) so not an endless supply of consumers



**CHEAP STUFF**

# Int. Trade

- As a percentage of GDP, LDC's income has dramatically increased due to international trade. (fig. 9-27)



# India

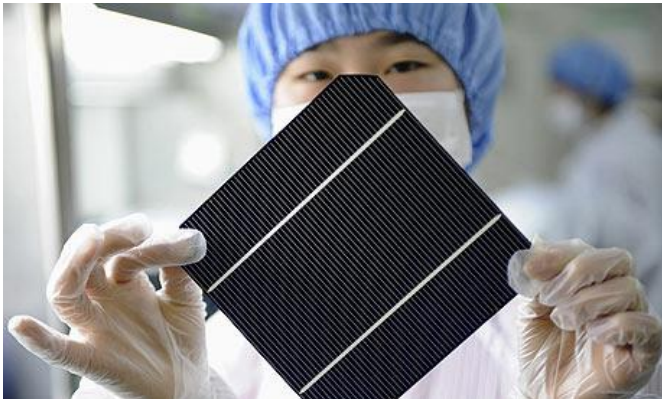
- India abandoned the Self-Sufficiency model of development in the 90's:
  - Foreign companies allowed in (Coke)
  - Tariffs reduced
  - State monopolies eliminated
  - Indian products with competition have improved
  - Tata Nano



# WTO



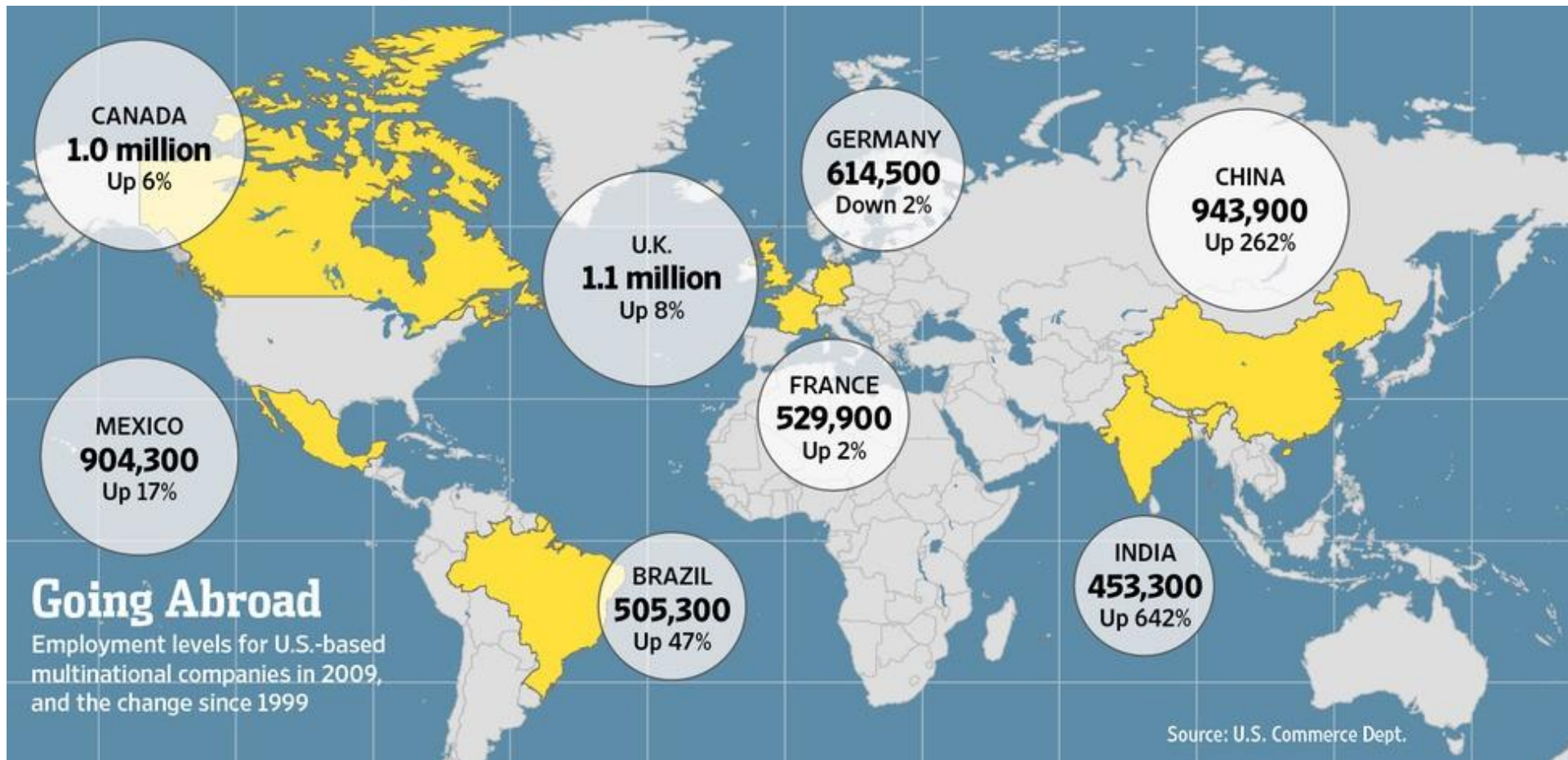
- World Trade Organization, created to help promote international trade.
  - Eliminate trade barriers and reduce government subsidies for products. (China's govt. invested billions which meant an end to Solyndra – US farm subsidies)
  - Enforces agreements



# Transnational Corporations

- TNC's: operates in many different countries not just the one it is headquartered in .





## Going Abroad

Employment levels for U.S.-based multinational companies in 2009, and the change since 1999

Source: U.S. Commerce Dept.



# Financing Development

- **World Bank**: Two branches:
  - **IBRD** (International Bank for Reconstruction and Development) supports infrastructure development and financial institutions (banks).  
\$ from private investors.
  - **IDA** (International Development Association) provides loans to countries too risky for normal loans.





# Financing



- **IMF**: International Monetary Fund. Loans money to countries who need emergency loans to keep their economies afloat. Once in the IMF system – conditions set up by the IMF can lead to a loss of sovereignty for a country. (Jamaica)



Philippine Islands Development Company Limited (PIDCL)  
Construction of 3,000 Condominiums, Residential Suits, A World-Class Shopping Mall & Prestigious Chain Stores and Commercial Units Project.  
Makati City, Philippine.  
Financing Sponsored By: IMF Capital (£4,398,000,000)

# IMF Structural Adjustments

- Structural Adjustment Programs is where the IMF comes in and dictates to a country a new economic policy to “correct” the problems they are having.
- Critics charge that many “essential” government programs are cut in this process

# Fair Trade

- Fair trade is designed / intended to provide trade income which protects workers from the LDC. Fair wages, union organizing OK.
- Companies promoting a Fair Trade initiative are encouraged to reinvest in the community: schools, health clinics...





   **STARBUCKS™  
SHARED PLANET™**

**Starbucks Supports Small  
Coffee Farmers in a Big Way:  
Doubles Commitment to  
Fair Trade Certified™**

Company to Become the **World's Largest Buyer of  
Fair Trade Certified Coffee** as Part of Starbucks™  
Shared Planet™ Goals.

# Micro Loans – Progress?

- The Grameen Bank, South Asia, begun by Nobel Peace Prize winner, Muhammad Yunus in 1977, provides micro loans, small: \$15, \$60, \$100, to mostly women who want to start a business of some sort. Very low failure rate.



# Models of Development

- **Dependency Theory:** Political & economic relationships between countries & regions limit the development of the less well off areas
- Colonial dependencies are still in place from long ago.
- Dependency theory sees little hope for economic prosperity in some traditional parts of the world



# Models of Development

- **Market Based**  
Importance of the existence of the free market
- Government inefficiency restricts growth
- Role of government to liberate markets and promote competition
- Establishment of property rights
- Problems:
  - Existence of market failure
  - Problems of lack of infrastructure
  - Problems of equity in allocation

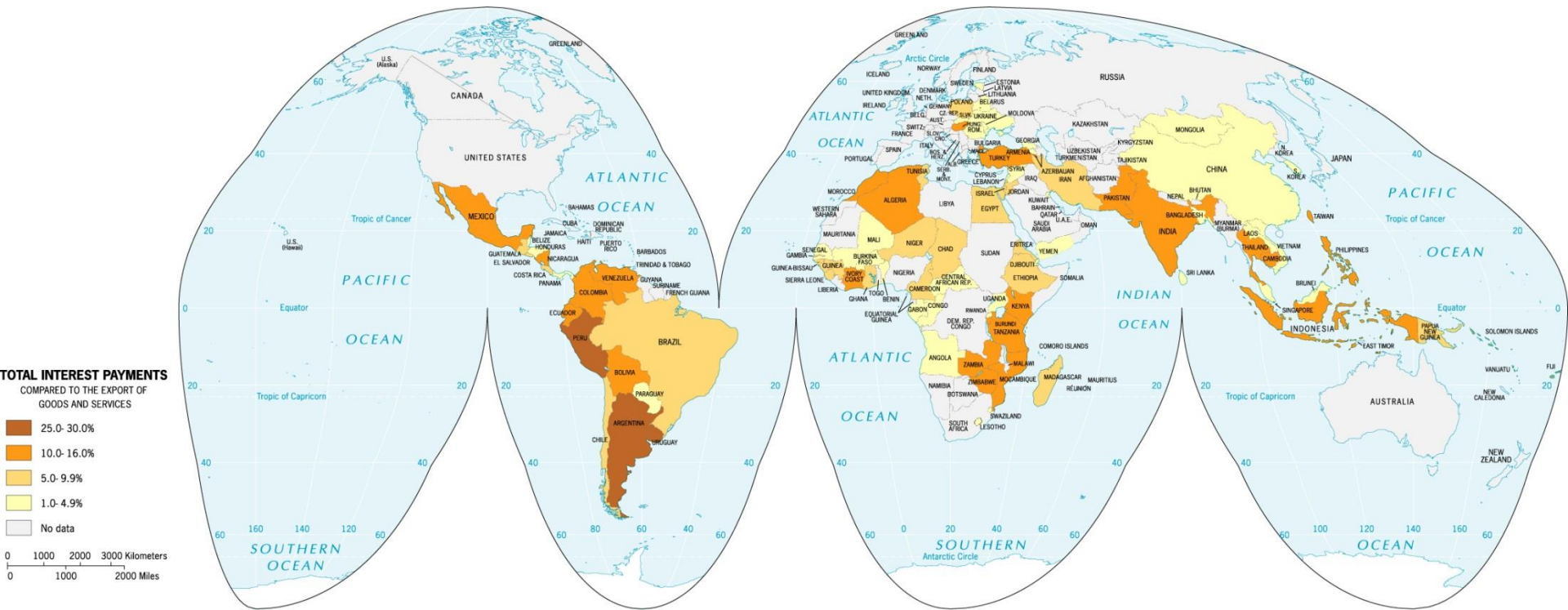


# Barriers to Economic Development

- **Low Levels of Social Welfare**
  - Trafficking-bullied into poor working conditions
  - High birth rates, Low life expectancy, large number of dependents
  - Lack of proper health care
  - Poor water supply & sanitation
  - Widespread Disease vectored diseases-spread by a host
  - Malaria-kills 150,000 children each month
- **Political Instability**-military dictatorships, corruption, revolution
- **Foreign Debt**
  - World Bank or International Monetary Fund
  - Structural adjustment loans-economic reform required

# Foreign Debt Obligations

Total interest payments compared to the export of goods and services.



# Foreign Debt Obligations



Foreign Debt and Economic Collapse  
in Buenos Aires, Argentina, 2001

# Widespread Disease

- Malaria kills 150,000 children in the global periphery *each month*.

Tamolo, India

This baby sleeps under a mosquito net distributed to villagers by UNICEF workers.



## A GLOBAL BATTLE

Pushed out of temperate zones like southern Europe half a century ago by DDT spraying and draining of wetlands, malaria remains entrenched in the humid, lowland tropics of South America, Africa, and Asia. A less dangerous strain—*vivax*—occurs mainly in South America and Asia. The deadliest form—*falciparum*—sickens people in all three places. Sub-Saharan Africa suffers 90 percent of all malaria deaths.

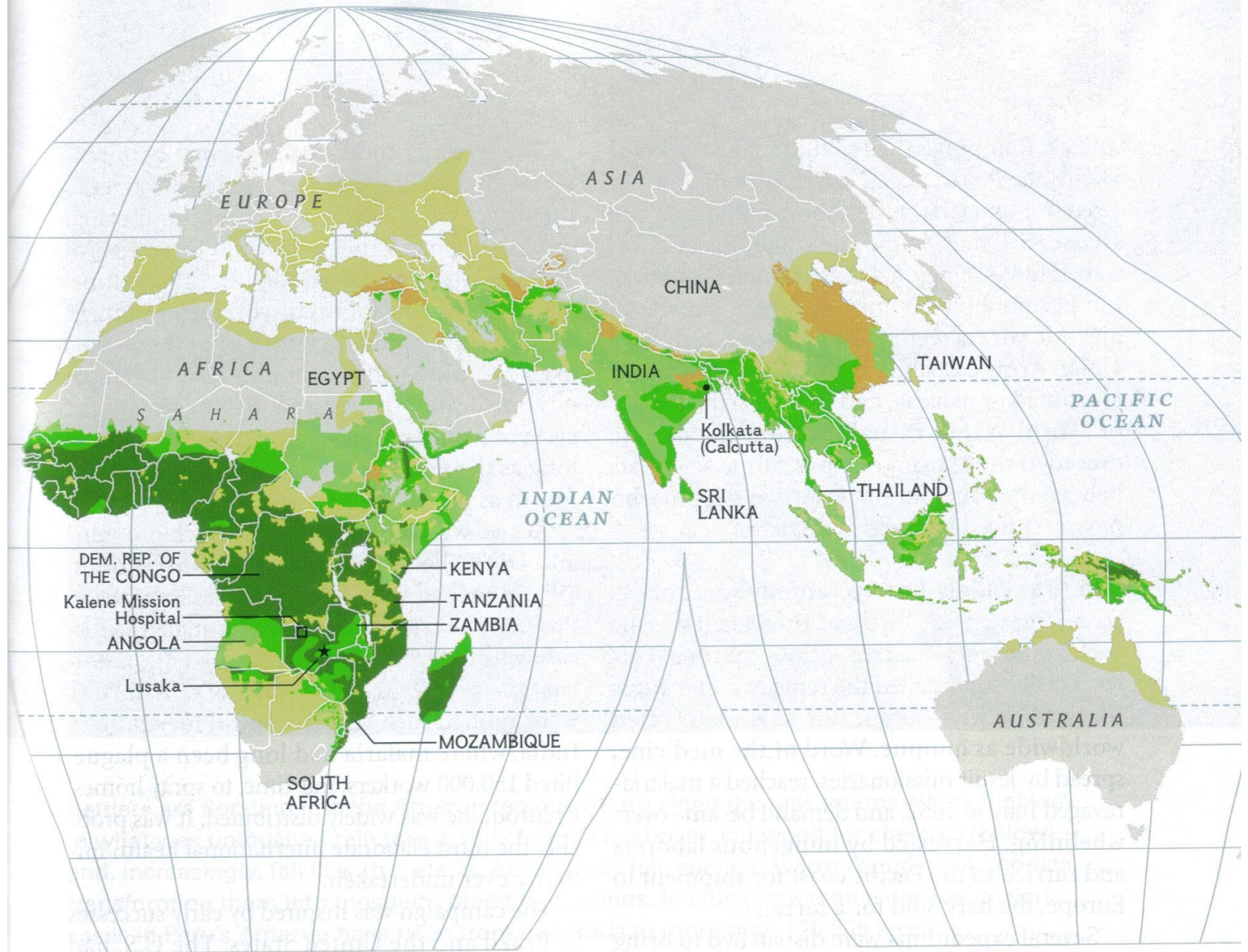
### Malaria prevalence

- More than 50% of children infected
- 11-50% of children
- 10% or less of children
- Plasmodium vivax* only
- Extent in 1946 of all strains
- No malaria

0 mi 1,000  
0 km 1,000

SOURCE : MALARIA ATLAS PROJECT  
NGM MAPS; REPORTED BY HUGH K. TRUSLOW

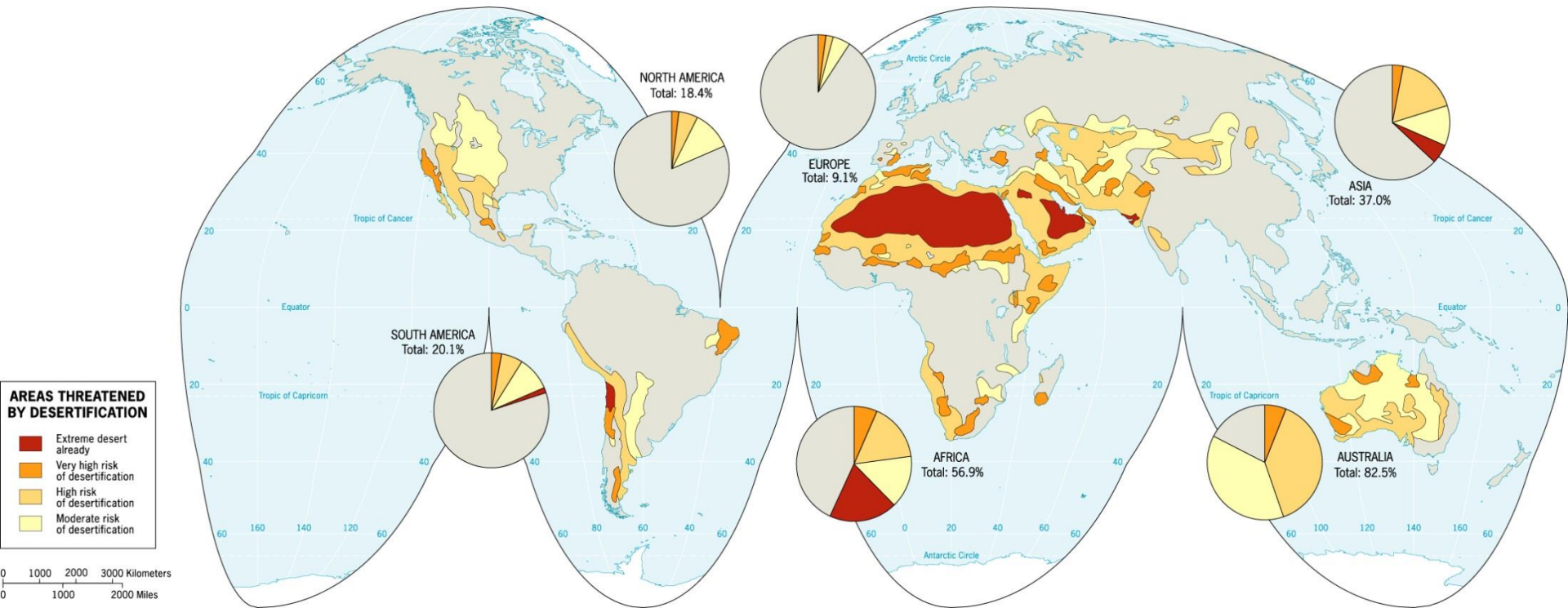






**Locust swarm in Mauritania devours crops**

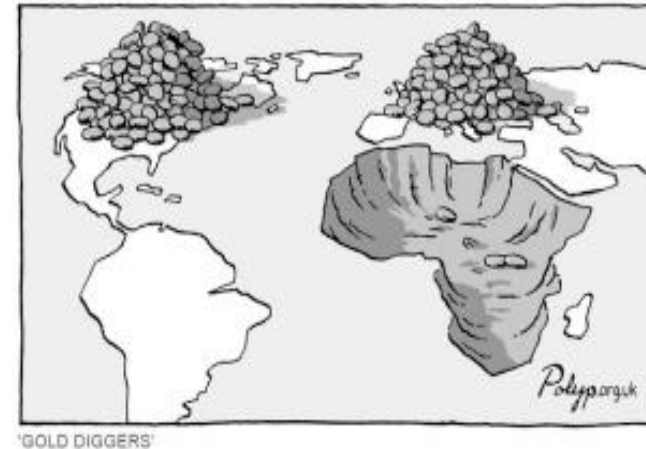
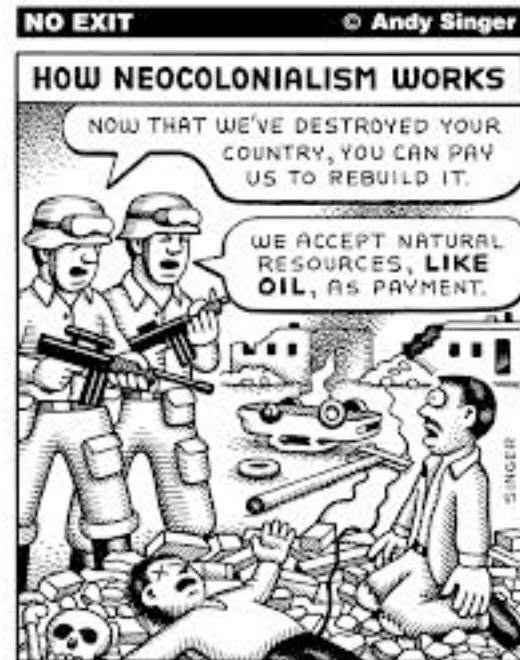
# Areas Threatened by Desertification



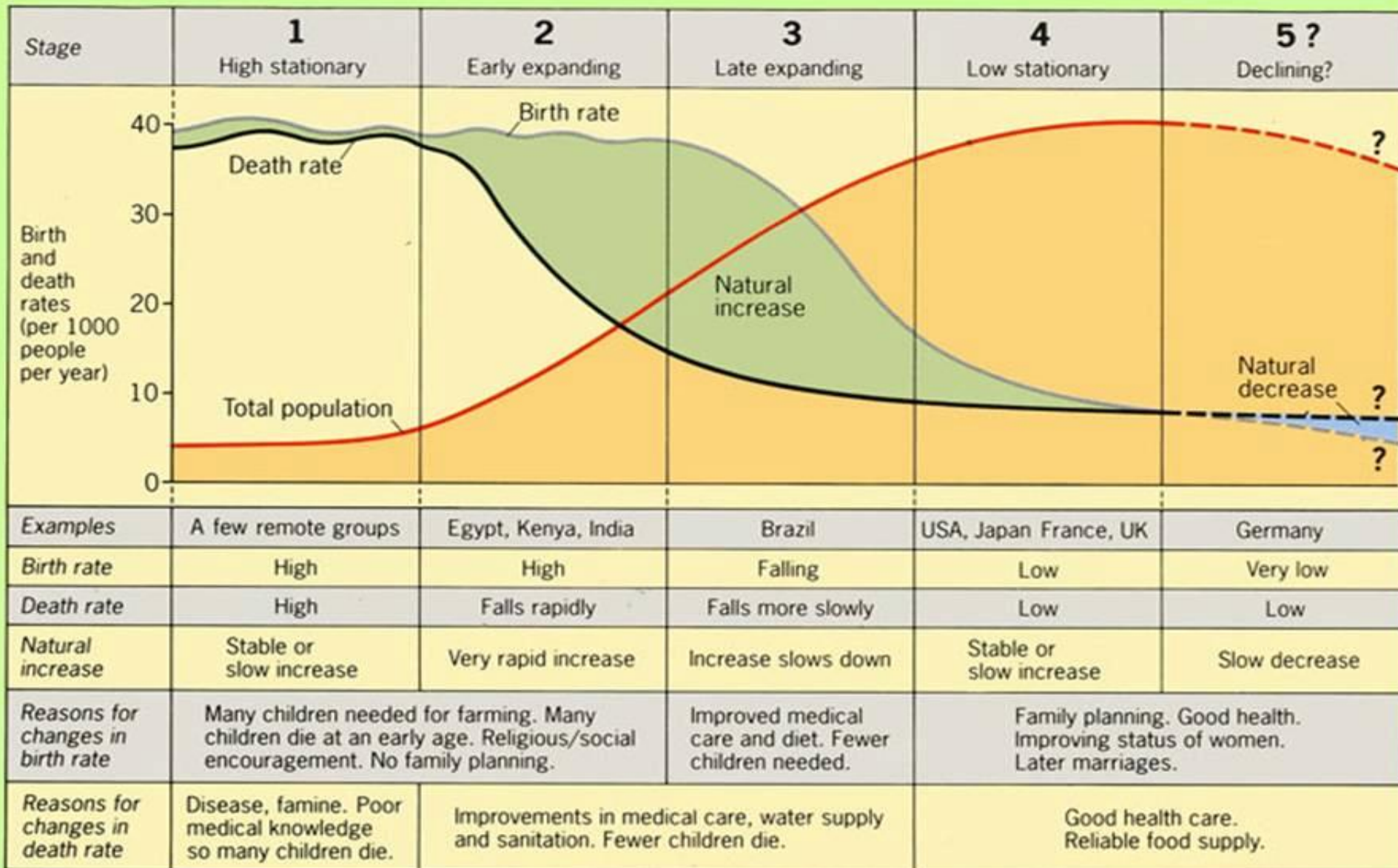


# Neocolonialism

- The economic control of LDCs by MDCs
- IMF/World Bank are criticized for this as well as corporations owned by MDCs



# Parallels between Rostow and the DTM...



# Parallels between Rostow and the DTM...

- Both show a country's stages of development
- More traditional/subsistence in first stage
- Both follow stages and move consecutively
- Both deal with effects of industrialization
- Influenced by type of economic activity



- Dubai has mushroomed from a near-empty desert to eight lanes of traffic between a mile of skyscrapers on Dubai's Sheikh Zayed Road.
- Dubai boasts more tourists than all of India

# Just Add Money

In 15 years, Dubai has gone from a backwater refueling stop to a playpen for the rich, thanks to one of the grandest building schemes that the modern world has ever seen.

But is there any reason for normal people to visit?  
By Kimberley Sevcik Photographs by Sue Parkhill

