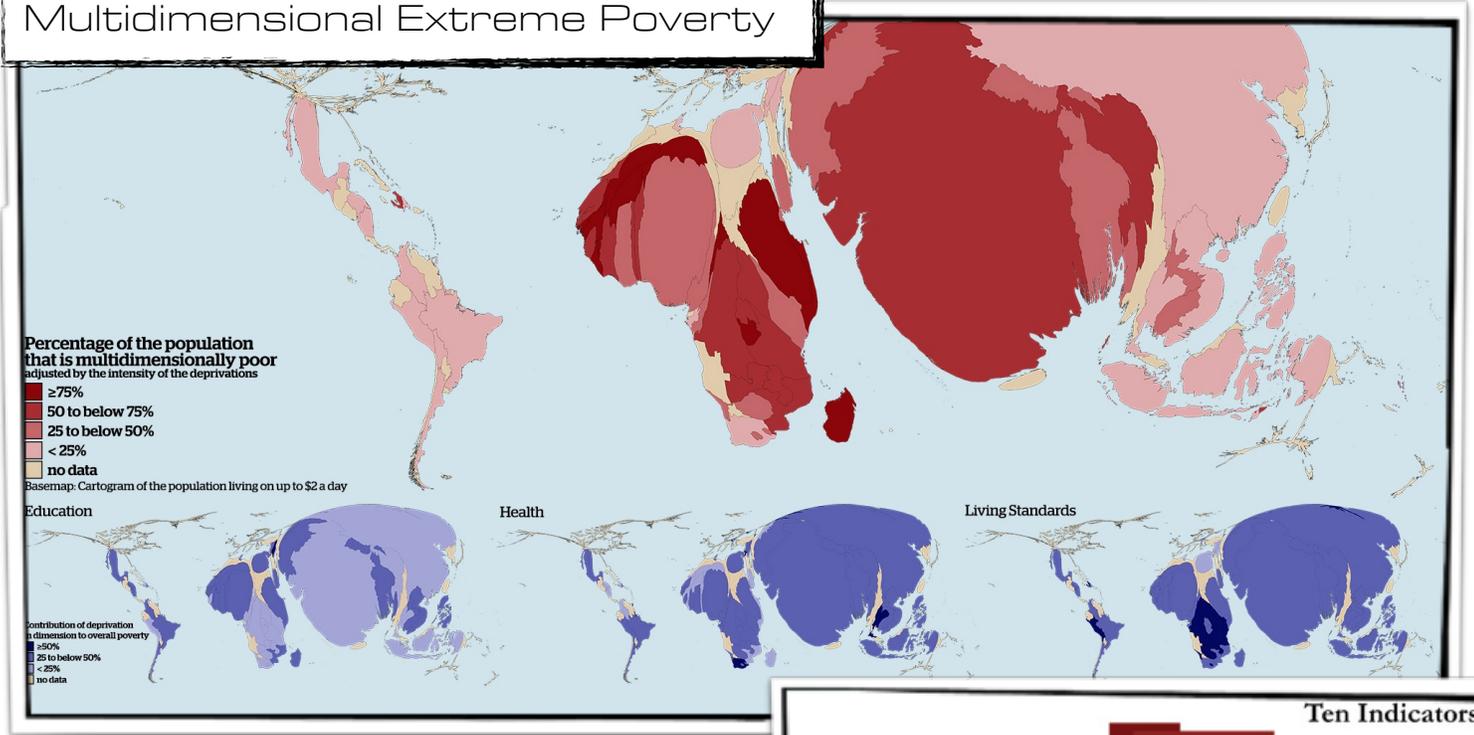


# Multidimensional Extreme Poverty



## H. How to Get the Good Life? - Part 3

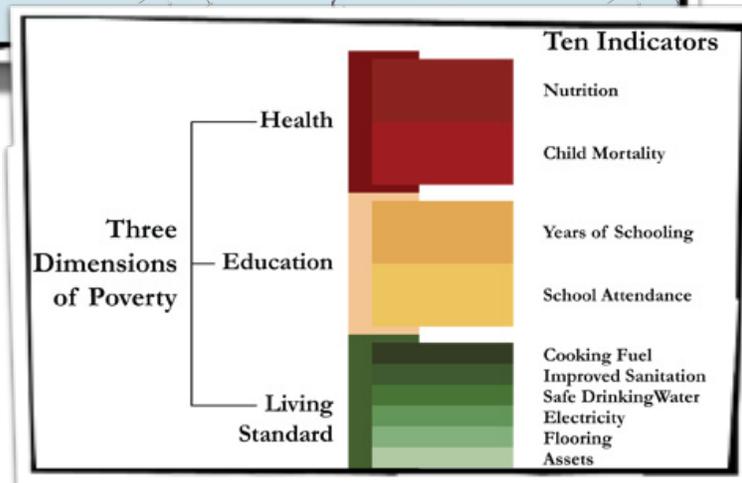
### The Failure of Development: Extreme Poverty

Despite all the efforts and theories that promise development towards the Good Life, one glaring problem remains: *extreme poverty*. Despite all the technological advancements of the 20th and 21st centuries, from the internet to genetically altered plants, over 1 billion people still live in extreme poverty.

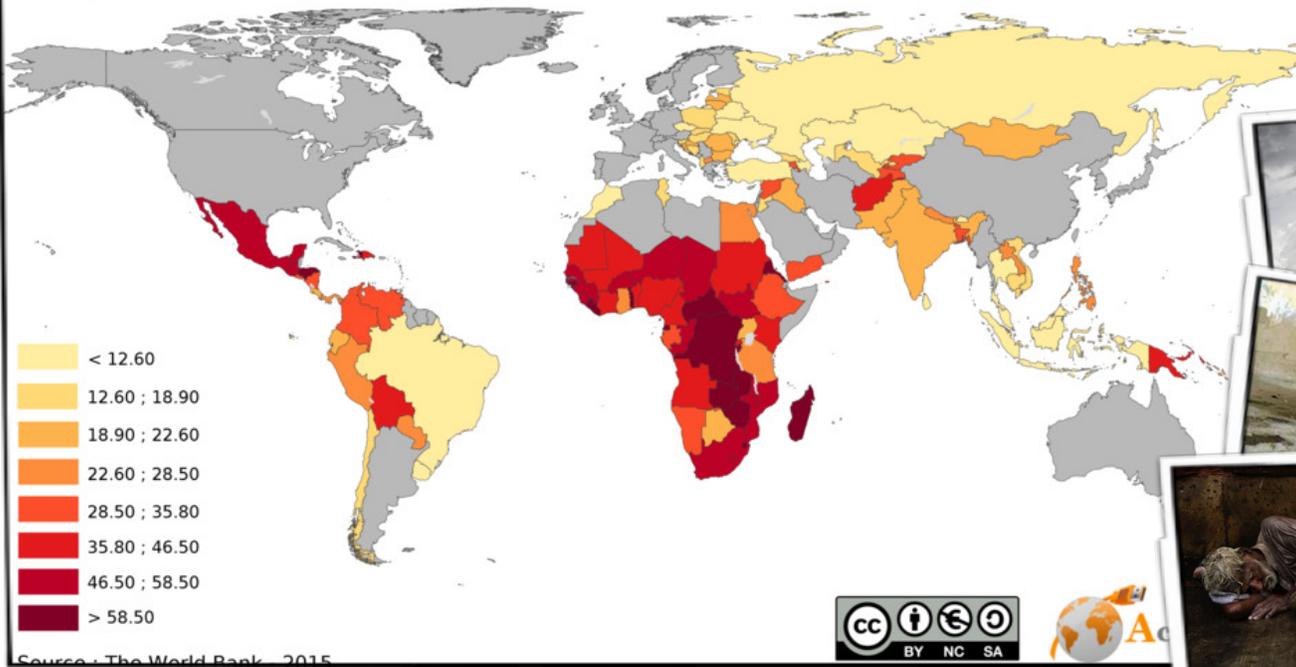
To solve a problem as massive as extreme poverty, it is critical to define what it is and at what scale it should be analyzed.

The World Bank defines extreme poverty as regions where families live under \$1.90 per day (it was originally \$1.25 per day, but has been since increased because of inflation). Examining the world through this lens revealed regions that had communities living on less than a dollar a day, despite a seemingly strong national economy. For example, India ranks 5th in the world for overall GDP, but their GDP *per capita* ranks 145th at \$6 per day. At first glance, \$6 per day is surprising, but it is still above the poverty line. However, when researchers examined India at the regional and local levels, they found areas where families live on only 94 cents per day, well below the extreme poverty level requiring emergency assistance.

Using wealth as the only indicator presents certain challenges. Researchers living in the USA on \$163 per day struggled to grasp the nuanced differences between small changes in impoverished income. In the USA, moving from \$163 to \$163.50 is barely noticeable on a day-to-day basis. However, to a family on \$1.25 per day, the move to \$1.75 would revolutionize family life. As researchers and Non-Government Organizations (NGOs) like the Red Cross or the Gates Foundation focused their efforts on extreme poverty, they began to explore other dimensions of poverty using the Multidimensional Poverty Index (MPI). Like HDI, MPI uses education, health, and standard of living to better identify commonalities amongst the extremely impoverished. However, instead of relying solely upon quantitative data provided by government agencies, researchers gathered qualitative evidence from small-scale field research and interviews. Researchers would travel and experience the true realities people's lives: flooring, cooking fuel, nutrition, drinking water, etc.

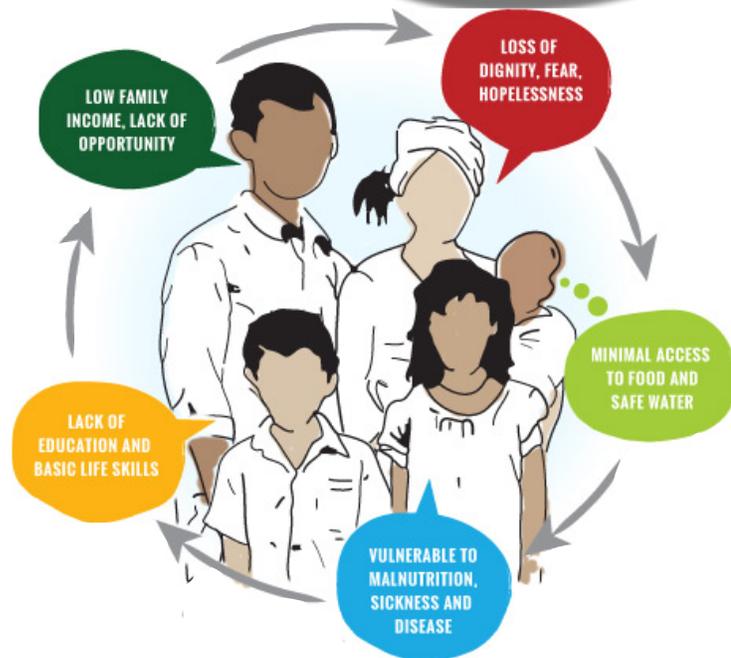


## Population below poverty line (%)



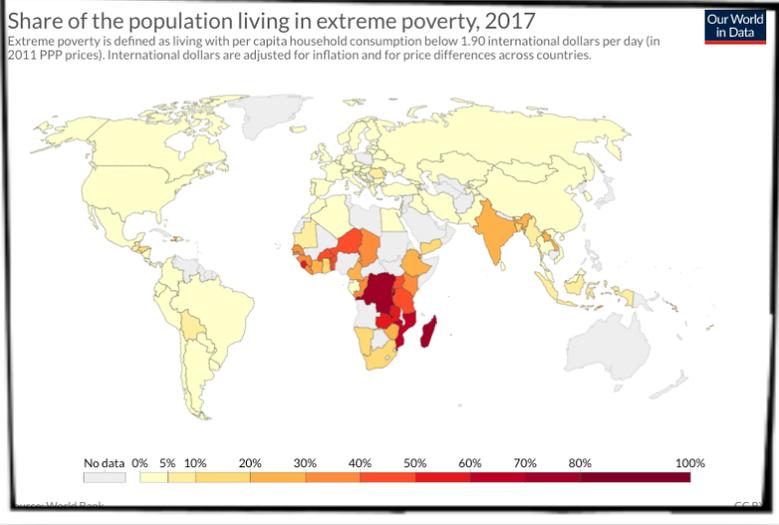
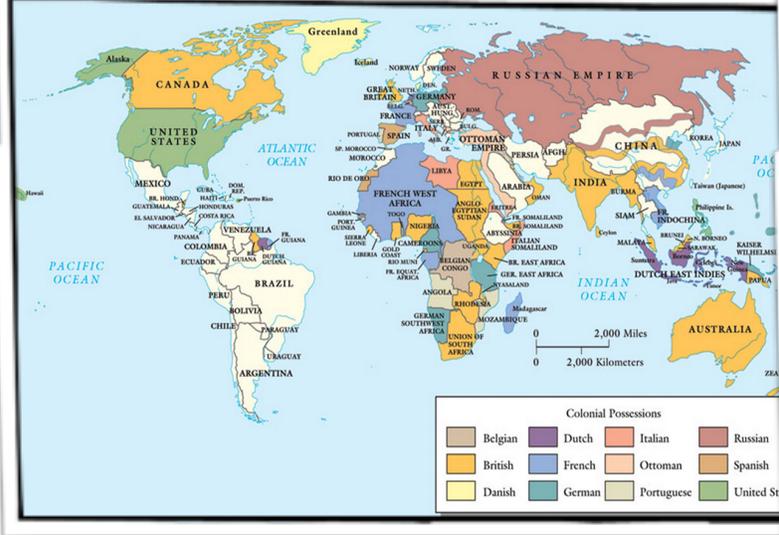
When a population is in extreme poverty, their efforts are solely focused on one task: *survival*. People in extreme poverty are so consumed with continuing to live; they struggle to find the time and resources to dream beyond the next meal. These families do not have access to schooling or training, eliminating their chance of improving their profitability. They do not have the extra money to save for future needs, nor are there banks in their communities to secure their savings. They have inadequate access to food and clean water, experiencing hunger seasons lasting one to three months. Once desperation sets in, people become willing to take part in risky behaviors to survive and provide for their loved ones: theft, alcohol, drugs, prostitution, vandalism, and terrorist activities. These activities lead to imprisonment, which becomes a further barrier to job opportunities. With riskier sexual behavior, a new generation is born to parents not ready for the responsibility; starting the cycle over again with low education and food access... not to mention the risk of spreading diseases like HIV/AIDS.

Extreme poverty is considered a byproduct of both underdevelopment and uneven development. Most modern societies are not universally poor; there is some small element of the population who has the wealth and resources necessary to live a comfortable lifestyle. These pockets of wealth exist in urban developments referred to as growth poles, cities that have arisen around new industries. In these growth poles, there is the infrastructure to support some variation of a “modern lifestyle” and attract economic growth. However, these amenities do not diffuse out into the broader area. Case in point: downtown Lagos, Nigeria is a modern city with skyscrapers, advanced trains, highways, internet access, theaters, restaurants, nightclubs... Anything a person would expect in a major city. However, less than 10 miles away from the Central Business District exists one of the largest slums in the world, with no electricity or running water and houses made of scrapped metal on top of a landfill.



Tale of 2 Nigerias





One key precursor to the modern uneven development seen worldwide is European colonization/imperialism. As the Europeans voyaged and staked claims in Africa, Asia, and the West Indies/Caribbean, they setup systems that maximized the cheap extraction of resources while minimizing investment into infrastructure. The Europeans established cities with the minimal resources necessary to allow the European business owners to live in reasonable comfort, for markets for trade to take place, as well as a terminal to export resources back to European factories. The colonial transportation networks were not built for the benefit of people, but instead for the efficient transporting of resources to the transportation terminals. Areas that were not of immediate economic interest were neglected, or worse, purposefully decimated. Formerly colonized regions comprise the largest percentage of the territory now in extreme poverty.

**APPLICATION #1**  
Describe the correlation between areas facing extreme poverty & colonization in the year 1900.

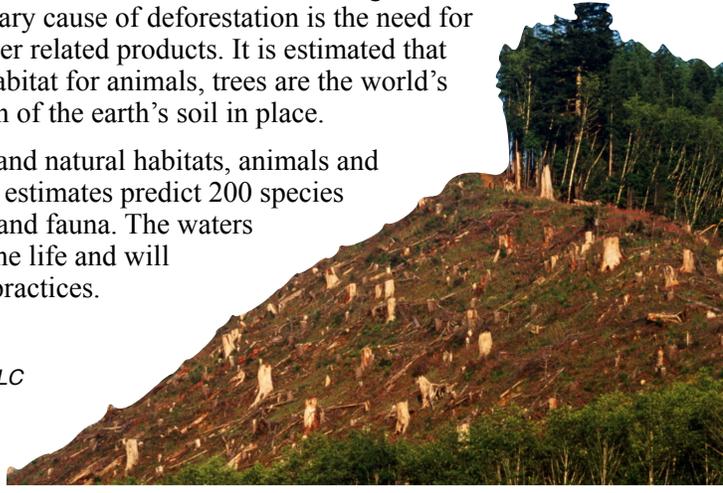
**Failures of Development: Environment Consequences**

While it is easy to get absorbed in the conversation about the human side of development, it is important to investigate the impact of human development upon earth. The development of modern industrial/post-industrial societies has been a very taxing experience on the earth's resources and animals. It is estimated the earth loses 200 species to extinction, 2 million tons of clean water, and 41 million trees... every day. With the USA and Europe in Rostow's Stage 5 High Mass Consumption, they have set the standard for what it means to be an MDC that everyone else is trying to achieve. Combined, Europe and the USA comprise approximately 1 billion of the world's population. Rapidly developing China, India, and Southeast Asia comprise over 3.5 billion people desiring the MDC lifestyle in the next 50-100 years. What has this done to the earth? What will this do to the earth in the future?

**Global Warming & Climate Change.** The industrial and transportation systems that have revolutionized humanity are also revolutionizing the earth... but in all the wrong ways. The core countries are burning an immense amount of fossil fuels. CO<sub>2</sub> emissions from industrial complexes and transportation are causing the temperatures on earth to heat up. As a result, the polar ice caps are melting, causing sea levels to rise and more extreme weather patterns. Water will eventually invade prime urban centers like New York City, London, and Amsterdam. It will also have a detrimental impact on our agricultural systems which rely on a consistency in temperature and rainfall to produce food. A small change in temperature can drastically affect the quality and quantity of crops able to be grown in a certain location.

**Deforestation.** Due to the high demand for lumber, paper products, and cattle ranches, trees are being cut down at an alarming rate. 80,000 acres of rain forest is lost a day. The primary cause of deforestation is the need for land for cattle ranchers and agricultural development, along with paper related products. It is estimated that 80% of the world's forests have been removed. Aside from being a habitat for animals, trees are the world's lungs and roots. They serve as a key source of oxygen and keep much of the earth's soil in place.

**Animal and Plant Extinction.** Because of the destruction of forest and natural habitats, animals and plants are going extinct. While there is no way to be fully sure, some estimates predict 200 species go extinct every day. The earth is rapidly losing its diversity of flora and fauna. The waters are not immune either. Overfishing is causing the extinction of marine life and will continue if steps are not taken to encourage and enforce sustainable practices.





Soon to be someones drinking water...



**Desertification.** The world’s deserts are getting bigger. Because of deforestation and over grazing, arable (farmable) land is becoming a desert. This affects all major continents, but has the most dire impact on Northern/Central Africa and Asia where there are millions of already-vulnerable people struggling to survive.

**Resource Depletion.** High mass consumption in the core and semi-periphery is causing the earth to have a shortage of natural resources needed to support what is deemed a civilized existence. Fossil fuels are being burned at an unsustainable rate. Areas are being stripped of their ores and metals. Waters are being over-fished.

**Water & Air Pollution.** The massive increase in factories and in the demand for factory-produced goods have created detrimental impacts on air and water quality. Cities with key industrial complexes are living with horrible smog, making the air almost unbreathable. This causes acid rain, which destroys other aspects of the regional ecosystem. The industrial complexes pour chemicals and other contaminants into the water, causing severe water pollution. Trash is being dumped (either intentionally or unintentionally) in large quantities into rivers and oceans, creating a sea of plastic. This affects marine populations, animals, and birds who all drink and feed from the rivers; plus it impacts the water quality of irrigation systems and local wells used for water supply. With a scarcity of clean drinkable water in the world, industrial complexes are adding to the crisis of a dwindling clean water supply.

**Trash Dumps.** Core countries consume a phenomenal amount of goods, and these goods, once consumed, end up in landfills. In one year, Americans alone produced 289 million tons of trash - 791 thousand tons per day. This is creating a land-crunch crisis as we are running out of places to effectively put the trash without affecting farmable and livable spaces. The trash dumps also emit methane gas, which traps heat 25 times more effectively than CO<sub>2</sub> emissions.

**Sustainable Solutions?** Without significant changes to policies and procedures, the outlook for the world and its inhabitants is grim. However, despite industrialization’s devastating impact on the globe, there are worldwide earth-friendly movements working to curb these effects. The development of green renewable energy such as

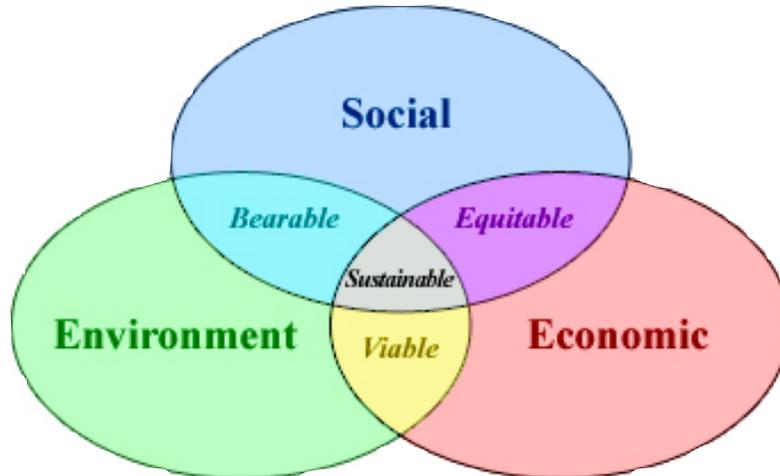
wind, solar, and geothermal technologies are rapidly advancing, which when paired with batteries, are at the center of non-fossil fuel energy. Lithium batteries are the key to storing the energy created by these renewable sources, making them viable and reliable. There are also movements to move vehicles off fossil fuels to biofuels. Ethanol is a fuel made from corn and sugar cane with the potential to reduce emissions while also being renewable. Governments are also stepping in to preserve aesthetic resources as well by setting aside lands as national parks and protected reserves. These protections forbid economic development while promoting the renewal and preservation of animal habitats.



### Development Theory #3: Sustainable Development

The final development theory is Sustainable Development. Looking at the negative effects of the Modernization and Structuralist Theories, some development theorists believe that either path forward will be unsustainable. If future societies continue down either path, the damage done to the environment and to the people of these societies will lead to an unsustainable future for everyone. Considering this, the United Nations looked at the collection of global indicator data and took action. The UN concluded that the global community created these problems. Thus, it is up to the global community to pool together the resources to solve the problems they have created. However, the problems facing the world will not be solved by global or regional solutions, but rather by focusing on local solutions. Each community is facing its own unique set of challenges; thus, each requires its own unique solution. Thus, Sustainable Development was born: using global resources to solve local problems.

Sustainable Development is based upon three pillars: *social, environmental, and economic*. For a society to be prosperous into the 22<sup>nd</sup> century, there must be a balanced focus on all three pillars. Providing too much attention to one pillar will cause neglect and destruction in the others. For example, if a society focuses too much on their economic wellbeing, they will create social inequality and destroy the environment. However, if they focus too much on protecting the environment, it will cripple the economy, while also causing harm to the people in the society. If too much focus is placed on the social needs of the people, it will cause over consumption of environmental resources and will be too much of a burden on the economy. Thus, an appropriate balance must be found to ensure success in all three areas.



**Sustainable Development Across Scales.** A foundational tenet of Sustainable Development is that poor people do not create poverty; instead government and business institutions' policies create poverty. Thus, it is the role of the government and business institutions to correct these policies on a local, regional, and global level to solve the problem.

- On a local level, unique problems need unique solutions. Sustainable development seeks to understand the specific needs of a community to develop a plan that specifically addresses their problems. No two communities' issues are identical. Communities in the deserts of Arabia have different needs than communities in the rainforests of the Amazon. However, studies show that if impoverished people at the local level can achieve food and water security, they move towards economic profitability. This movement gains momentum when communities can invest into their populations through education and health care. Stability and profitability in local communities lays the foundation for regional and national success. In Sustainable Development, success does not go from the top-down; it swells from the bottom up.
- On a regional or country level, Sustainable Development promotes money to be directed to programs that support the wellbeing of the population. One of the first areas of emphasis is money for vaccines and health clinics to end preventable diseases. This has the double benefit of reducing child mortality rates and increasing life expectancy. Health care initiatives, such as providing access to birth control, empower women to control their fertility and better choices for their families and themselves. The empowerment of women has been repeatedly proven as the most robust tool to grow an economy. Money is also used to promote primary education to create a literate and skillful working population. Advanced jobs require advanced skills, which are not possible with an illiterate work force. Governments can also protect the environment by restricting access to vulnerable resources and educating their population about the effects of pollution and excess waste. With all the funds used for these projects, governments are encouraged to put an end to corruption, and ensure the money reaches the local communities who need it the most.
- On the global level, Sustainable Development works with the international community towards initiatives that benefit the world. Core countries are encouraged to reduce tariffs and subsidies to allow periphery countries to use their comparative advantage to grow their economy. The core countries and multinational groups like the International Monetary Fund (IMF) and the World Bank have agreed to forgive substantial amounts of debt from periphery countries. As a result, periphery societies can use the money that was going towards debt and interest repayment and instead invest in their own economies. Finally, the United Nations is working to organize the core and semi-periphery countries to create agreements towards reducing their carbon emissions and their environmental footprint. In 1992, the Kyoto Protocol was signed as an attempt to begin reducing greenhouse gas emissions. In 2016, the Paris Climate Agreement was signed or ratified by 194 countries, agreeing to certain measurable goals that would limit/reduce green house gas emissions.



**Microloans.** One revolutionary tool invented through Sustainable Development initiatives was the microloan. Sustainable Development promotes that true prosperity is developed at the local level by empowering individuals and promoting local entrepreneurs. However, in peripheral communities experiencing extreme poverty, people do not have surplus income from their intensive subsistent agriculture. What little wealth people do have is kept in their homes because there is no readily available access to financial tools like banks. As a result, people cannot save money, earn interest on savings, or take out loans. Thus, an entrepreneur with an idea for a business does not have the financial tools to get their business ideas off of the ground. Often they lack basic tools to start their business: bicycle, pots, pans, gloves, shovels, shoes, basic cell phone, etc. Add these costs up and the financial gap between the entrepreneur and the tools they need to start their business is less than \$20. To the core, this is a small amount. To a family living on less than \$2 a day to feed a family, \$20 would take multiple years to save. Micro-loans are small loans provided by development banks with very low interest rates. These loans are meant to get entrepreneurs the tools needed to begin their business venture and on their way to becoming a contributing member of the economic community.

Microloans have proven to be an especially powerful tool for women. In many periphery countries, women are lacking in education, wealth, and skills needed to work in the formal economy (an official job that is taxed and counted as a part of the nations GDP). Framed in an economic perspective, if women aren't working in the formal economy then 50% of the population is economically inactive. When women find work it is usually in the informal economy (working "under the table" cleaning houses or preparing food). Using microloans, women can become empowered to start businesses that meet the needs of their community; especially the needs of other women. A sewing machine, a cooking pot, a bicycle, some materials to make baskets... and now these women are contributing members to their family's success. In a world where \$1 a day is average, the ability to earn an extra \$1-2 more in a day has a massive impact on their nutrition, health, and education options for their families. The financial contribution also improves the woman's position in her own household, reducing instances of abuse, neglect, rape, and divorce.



**98%**  
of women can afford to seek medical treatment compared to only 83% before joining MicroLoan

**80%**  
of our clients have increased financial independence

**92%**  
of our clients in Malawi with school-aged children report they are now all in education

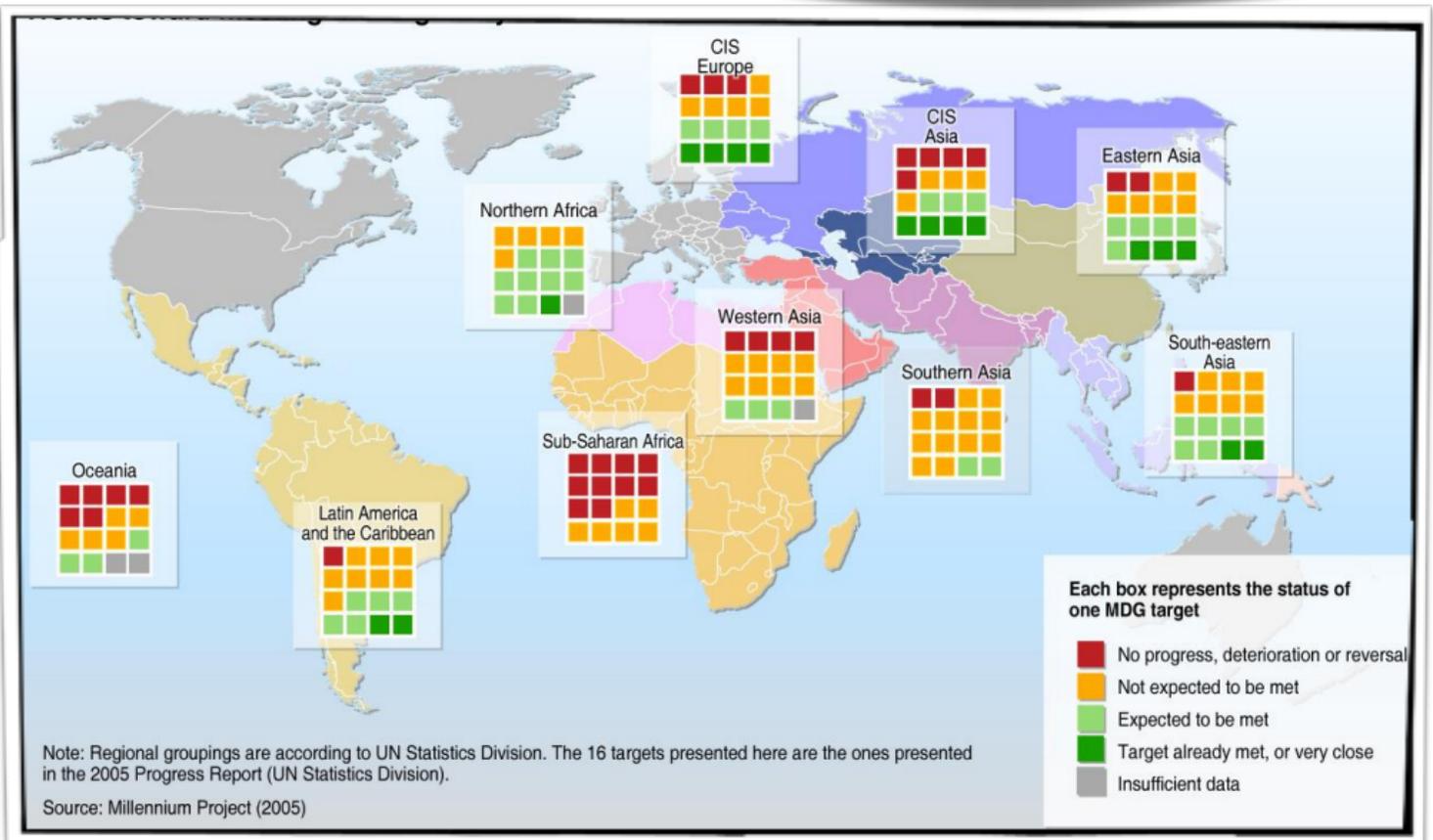
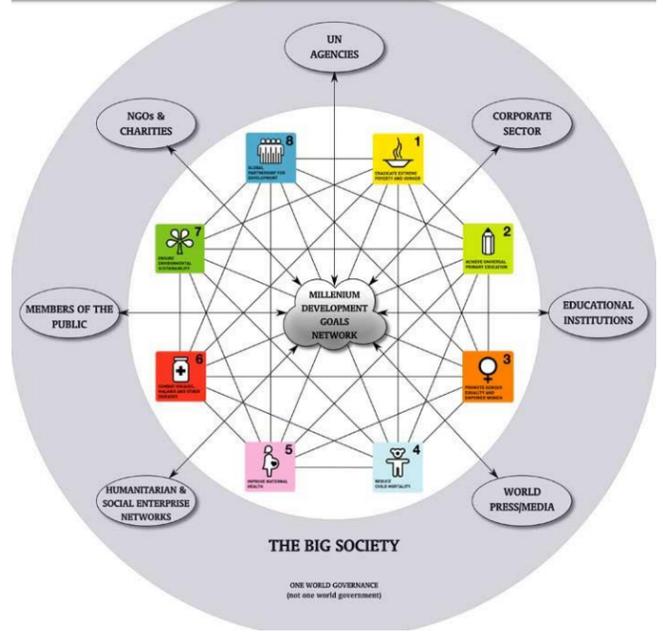
**97%**  
of clients are able to save compared to only 11% before

**20%**  
of women have increased household asset ownership

Food insecurity reduced to less than **2 weeks** compared to nearly 3 months before

**Millennium Development Goals.** In 2000, the United Nations proposed eight development goals to achieve by the year 2015. These goals focus on the local, individual needs of the most vulnerable people - economically, socially, and environmentally. The Millennium Development Goals could be measured periodically using indicators to determine improvement and inform further action. It was determined that the cost of achieving all these goals was \$100 billion dollars. While that appears to be a lot of money, that is .5% of the combined GDP of the core countries. 189 countries made a commitment to contribute money to address these specific concerns through the use of multinational organizations and Nongovernmental Organizations (NGOs) who coordinated with the local governments of impoverished areas.

In 2015, when the Millennium Development Goals expired, global efforts to improve development showed a drastic improvement. When examining the indicators, the number of people in extreme poverty dropped from 1.751 Billion in 1995 to 836 Million in 2015. 43 Million more students were staying in elementary school instead of dropping out. The number of students enrolling in elementary school increased by 20%, including a substantial increase in girls attending school. The amount of piped in drinking water nearly doubled. Many have claimed it to be the most successful anti-poverty scheme in the history of the world. While the success was worthy of applause, many target goals were still unmet.



**Sustainable Development Goals - 2030.** Encouraged by the success of the Millennium Development Goals, the UN went about creating the Sustainable Development Goals with the deadline of the year 2030. The Sustainable Development Goals follow a similar formula of looking at the needs of people at a local level, leveraging regional and global resources to meet those needs, all while balancing efforts between social, economic, and environmental problems.



## APPLICATION #2

Which of these goals do you think are achievable or unachievable? What will determine if these goals succeed or fail?

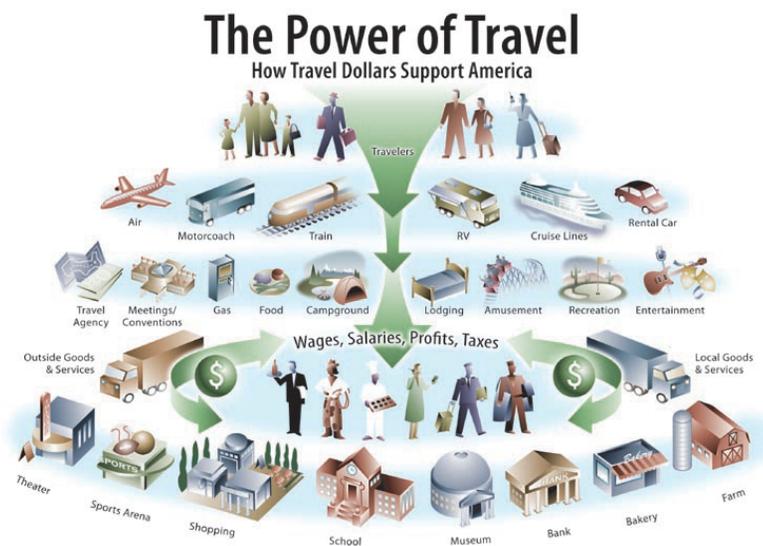
*(You may need to zoom in)*

## Other Tools for Development

Whichever development theory a society follows, there exists a set of economic tools a country can use to help stimulate and grow their economy:

**Tourism.** Tourism is an industry that promotes people temporarily visiting other locations outside of their local communities for the purpose of leisure. The tourism industry has exploded since the 1950s, with the global diffusion of high speed communication (telephones, TV, internet) and rapid mass transportation (airplanes, ships, cars, trains). People engage in tourism to experience other cultures (wanting to taste new foods, see cultural landscapes/architecture) or reconnect with their family history. Many societies embrace tourism as a key part of their economic success. Tourism has many positive attributes that make it attractive, especially to a periphery or semi-periphery country:

- Increases Income and Employment.** Tourism brings in outsiders or foreigners who are looking to spend money on food, lodging, clothing, souvenirs, tours, transportation, and other recreation. This increase in cash-carrying tourists creates a boom in employment. In particular, hotels need receptionists, house keepers, chefs, and maintenance crews. Hotels also need to buy sheets, light bulbs, water, cleaning supplies, paint, wood, etc. to maintain their hotel. These tertiary sector workers and local businesses receive a paycheck which they then can spend on paying bills, buying food and clothing in the local markets, which in turn supports even more employment. This ripple effect is known as a multiplier effect: where growth in one industry creates and supports jobs in other industries.
- Improved Gender Opportunities.** Women can perform many of the newly created jobs in the tourism industry. Undereducated women can take skills they already possess (housekeeping, cooking, cleaning, shopkeeper) and turn them into profitable businesses. Tourism gives them economic opportunities to support their families or improve their own livelihood.



- **Increased Infrastructure Development.** Local communities with profitable destinations can negotiate with their government and multinational organizations to invest money into local infrastructure. For example: A nice beach in a remote location can persuade major hotel chains to provide Foreign Direct Investment (FDI) by building their hotels, helping fund a local power plant, and water purification system. The increase in income also means an increase in tax money for governments. When a government sees the profit potential of a tourist location, they will spend money on sewers, roads, train lines, seaports, and airports to help increase tourist's access to their location. As a result of the new infrastructure, the quality of life for residents of the region improves.
- **Ecotourism Protects Local Environments.** Ecotourism is defined as travel to areas where active steps are being taken to preserve the environment while improving the economic/social wellbeing of the citizens. Governments use zoning to set aside and protect unique and vulnerable natural areas as "Nature Preserves" or "National Parks" while also providing environmentally sustainable ways of accessing these locations. These nature parks are tourist destinations for people to travel to and enjoy - while also increasing the profit potential of the park's location. This is most effective when local communities are involved in owning restaurants and hotels which directly profit from the income generated by the tourism. It is also important for the profits to be reinvested into the social wellbeing of the local community through the building of schools and hospitals, not just in the upkeep of the environmental facility. Costa Rica, Ecuador, Belize, and Nepal invest heavily in ecotourism. Costa Rica has set aside over 25% of its land as national parks for this purpose. Nepal monetizes the preservation and travel to Mount Everest.

While tourism provides many benefits to a local economy, tourism also creates a series of unique challenges:

- **Low Wage Seasonal Employment.** While 1 in every 10 jobs in the world is tied to tourism, most tourism is seasonal. While this employment is highly profitable during the peak tourist season, the region will experience severe economic problems during the off season. For example, ski resorts are overcrowded with a high demand from October through March. However, these same ski resorts become ghost towns once the snow melts. Even during the peak season, the jobs that are created are minimum or low-wage occupations. For someone who is unemployed, the seasonal low wage work is better than no work. However, the long work long hours are often rewarded with a small paycheck (at least in comparison to their employer's profits).
- **Vulnerability.** Tourism is a vulnerable and unstable industry. One natural disaster can destroy a tourist location which is becoming more and more common with the effects of climate change. One terrorist attack can ruin the perception of safety, causing tourists to never return. In 2016, one terrorist attack in Tunisia crippled an entire beach-front town, because of the bad reputation developed by the event.
- **Making Money but Never Keeping It.** Tourist societies struggle to keep the profits inside the country. Many periphery regions reach out to multinational businesses to start hotels, restaurants and businesses in the desired tourism destination. The problem is that the profits do not go to the local communities, but instead the wealth goes back to the corporate headquarters - often in a core country. For example: If a hotel company has its headquarters in France, but invests money in hotels in Ghana, a large percentage of the profits made by tourism will leave Ghana and be sent back to France. Subsequently, If a society does not have a strong secondary sector, the wealth generated by tourism will be spent on needed imports. If a hotel needs bed sheets, and no one produces them domestically, the hotel must import the sheets from a global supply chain. As a result, the money gets sent overseas to enrich a foreign factory owner.
- **Loss of Culture.** While tourists want a "new" and "exotic" experience, they also want to communicate and function. Tourists rarely want to be "bothered" to learn a whole new language for a week's vacation. Thus, it is wise for locals to learn the languages of their main tourists (especially English) and provide accommodations to make the tourists feel at home. As a result, the language and cultural habits of the tourists can come to dominate and overrun the once-unique local culture of the destination.
- **Destroying Local Environments.** While ecotourism is meant to protect the local environment, it can also have the opposite effect. Cars driving to and through a nature park can cause air and noise pollution. Beach visitors litter, causing trash to get into the local water supplies. What was once intended to help protect nature can also bring about its destruction.



## Application: Hotels Shortage in Cuba (NPR 8/30/2016)

As Cuba's once staunchly socialist government loosens state controls and American tourists pour into the island, the need for hotel rooms will skyrocket. Some Cubans are already taking advantage of opportunities for private enterprise.

Tomorrow, JetBlue will make history with the first commercial flight between the U.S. and Cuba since 1961. The flight will depart from Fort Lauderdale and land in the city of Santa Clara in central Cuba. As more people travel to the country, there is one problem that's becoming more obvious. There aren't enough hotel rooms in Cuba. Plenty of Cubans are willing to jump in and rent out rooms in their homes. And this is one of the ways the Cuban economy is opening up. Citizens are running a business and keeping the profits. This is not without complications.

Meet Guzman. Guzman has three rooms to rent in his house. The family charges 40 cuc, which is about \$45 per room per night. That's pretty big money by Cuban standards. Many Cuban professionals working for the government will earn in a whole month what Guzman charges per night for just one room.

In Cuba, you interact with the owners a lot. You talk with them, see their problems, talk about daily life. Like, how was the market? What do they think of the schools? The current situation - you talk about everything. It's kind of an immersive tourism, an up-close look into Cuban life.

Hilda Torres was an early adopter of the casa particular business. She has one room in her home that she rents. For about \$30 a night, you also get a home-cooked breakfast and dinner every day. Torres, a now-retired English professor from the University of Havana, says, while she's happy for the extra income, she sees a class divide growing in Cuban society as the officially socialist nation loosens state control. So she's giving back by training women on her own block. Kind of crash course - a very short course - for landladies and landlords - On the ins and outs of renting to foreigners and some basic English.

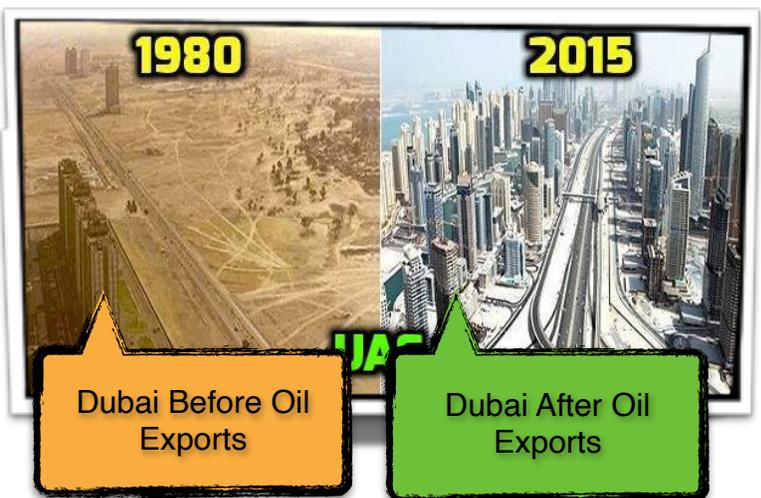
It's a detail that can get lost in the initial welcome and settling in of a tourist. But Torres wants to make sure her neighbors follow proper passport and government protocols and have enough English to quickly nip in the bud strange tourist behaviors, like, well, that time someone peed in her sister's sink. For older women, learning a new language is hard enough. But for many Cubans, it's also learning some of capitalism's basic principles of doing business, which may be the bigger challenge.



### APPLICATION #3

What challenges has tourism brought to Cuba? How has tourism impacted the lives of the Women in Cuba?

**Energy Production.** With the global necessity for energy, energy production is an attractive tool that increases GDP and speeds up development. Energy is essential for development. It is vital to health care, education, transportation, communications, manufacturing and general quality of life. The problem is that periphery countries spend a large amount of money importing energy as their development progresses. Countries with access to exportable energy have a golden ticket to improve their economic futures. These fossil fuel reserves can be used to attract foreign direct investment (FDI) from multinational energy corporations to maximize the country's comparative advantage. For example: Crude oil turned Saudi Arabia, Kuwait, Libya, and UAE from impoverished deserts into thriving economies. The discovery that tar sands in Canada could be used as crude oil boosted the Canadian export economy.

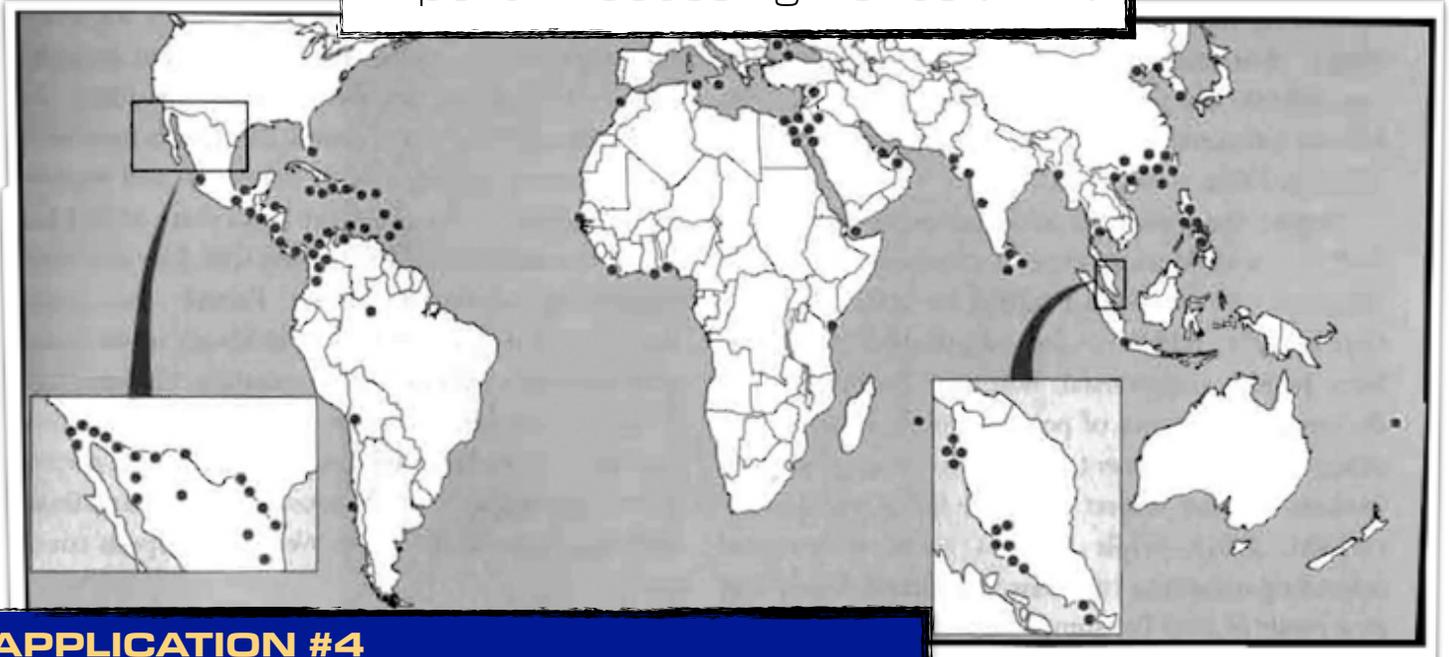


For societies without abundant fossil fuels, the quest for profitable energy has shifted into a quest to harness renewable green energy. With recent technological innovations and improved access to these green technologies, periphery countries can make use of their bountiful renewable resources to harness energy: wind, solar, water and geothermal. Through FDI, businesses and investors are transferring advanced technology into periphery countries, creating partnerships to harness the energy (and their profits). Countries like Nicaragua are taking advantage of these renewable wind and geothermal resources to provide energy throughout their country, as well as exporting surplus energy to other countries. This increase in GDP has revolutionized the quality of life within Nicaragua.

**Free Trade Zones.** Ultimately, for a country to develop, it must move beyond primary sector exports into secondary sector production. Periphery countries set up Free Trade Zones (FTZ) or Export Processing Zones (EPZ) to lure secondary sector factories away from the core and into the periphery (#RaceToTheBottom). EPZs are special areas set up by the government that give businesses special tax breaks and other incentives to move their businesses to the area. The businesses get access to low-cost land, low taxes, and a large supply of low-cost labor. Thanks to the invention of the shipping container, businesses can then move their products cheaply and safely by truck, train, or cargo ship anywhere in the world. EPZs attract low-skilled bulk production industries like textile, manufacturing, toys production, and common replacement parts which are produced in bulk quantities.

Periphery countries receive several benefits in return for setting up an EPZs. First, foreign businesses complete a technology transfer, diffusing advanced technology from the core country to the periphery country. These businesses also help set up the required infrastructure to run their operations: roads, ports, electrical grids, and even affordable housing for the workers. An agglomeration, or clustering, of businesses forms thereby multiplying the economic opportunities in the area.

### Export Processing Zones (EPZ)

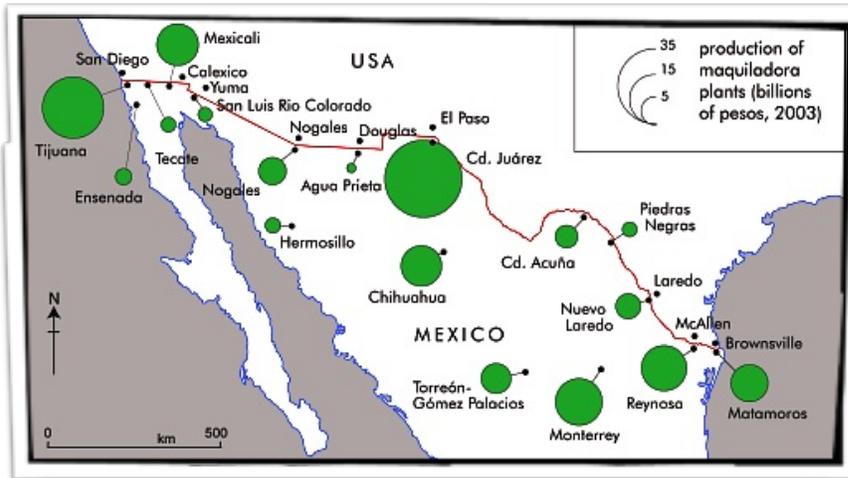


#### APPLICATION #4

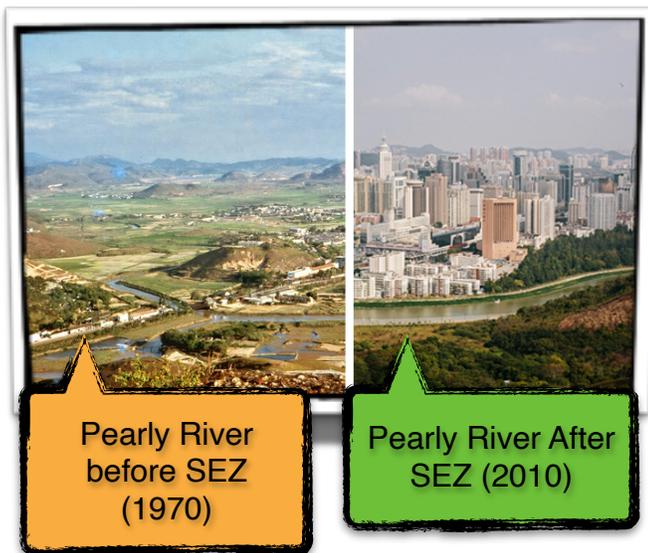
Analyze the dot map. Why would companies choose these sites to be the location of their export processing zone? (Look for commonalities)

Many of the workers are paid a dollar or two a day. While this is appalling to Americans, it is a major pay advancement for workers that are looking for alternatives from the primary sector. This is especially true of women, for whom the factories are a method of becoming a financial contributor to the house; breaking free of traditional female roles of teenage mother and housekeeper. Over time, the disposable (spendable) income increases for families. This increases the demand for more goods and services which in turn creates more profit for local companies, who provide more jobs and increase wages. With higher wages, fewer people in the house need to work, allowing the children to go to school. As their children become more educated, they begin to make their own advancements in society; typically resulting in the growth of tertiary sector jobs. This increases the quality of life of the workers and the region. Soon, those workers demand higher pay and better benefits... and the cycle repeats itself.

Mexico successfully developed their economy by setting up EPZs, called Maquiladoras, along their central mountain range and near the border with Texas and California. The Maquiladoras provided low cost land, labor and taxes to foreign companies and a close location to highways leading to American cities. The only requirement: all products made in the Maquiladoras HAD to be exported from Mexico. As a result of NAFTA, goods flowed from the Maquiladoras into the USA, while low cost subsidized American corn and soy flowed into Mexico. The USA's corn sold in Mexico without tariffs or quotas at a price no Mexican farmer could compete with. This sent many Mexican farms into bankruptcy, creating a massive wave of migration to the maquiladora factories: displaced workers from their farms, their wives, and day laborers who had migrated from South American countries. These displaced workers provided the cheap labor (55 cents/hr) to make automobile parts, electronics, fiberoptics, and televisions for USA companies at a fraction of the cost of the average American factory worker (\$11-\$45 per hour). Manufacturing in Mexico boomed between 1995-2000, at the rate of one new factory opening per day.



A second key example is China's Special Economic Zones (SEZs). In the 1970s, China transitioned from a government-controlled communist economy to an economy allowing private businesses and manufacturing. The government zoned the land, providing multinational businesses access to ports, infrastructure, tax breaks, low cost land, and access to low cost labor. The goal was to attract multinational companies to bring FDI into China. The first SEZ was located in Hong Kong, the only modern port in all of China, formed during British colonization. Companies flooded into China, wanting access to low-cost labor and the chance to access the new, massive Asian markets. By 1995, China had built 60 SEZs. In 2002, that number of factories had exploded to over 1,300. SEZs revolutionized the Chinese economy and its place in the International Division of Labor / Global Supply Chains.



## J. Barriers to the Good Life

With all of these theories and grand ideals to create the Good Life for everyone, the reality is: 1/7th of the world's population is still living in extreme poverty. There is a key question that needs to be addressed: What is keeping the poor countries poor? What barriers prevent societies from developing a better quality of life? While every scenario is unique, there are six general barriers that prevent impoverished societies from achieving the "Good Life."

**#1 Physical Features & Location.** To environmental determinists, geography shapes destiny. There are certain geographic locations that make development difficult for societies. Deserts, for example, make it difficult for people to grow food or have access to clean drinking water. Tall mountain ranges, rain forests, or large glaciers provide similar physical barriers that are difficult to overcome. A landlocked society, like Chad or Afghanistan, does not have access to a seaport. This limits the possibilities for trading resources with the global economy, which puts a limit on the country's GDP. When a society has a difficult physical barrier or is landlocked, it also makes them a less desirable location for foreign investors. If foreign companies do not see value in a region, they will not look to bring business to the region; neither through the "Race to the Bottom" style development nor through loans or partnerships that bring money to help domestic businesses.



**#2 Demography.** The population growth and age-distribution in periphery countries contribute to the cycle of extreme poverty. Low-income areas have a high crude birth rate (total number of births in a year) and a high fertility rate (the number of children born to a woman in her lifetime). The women are married at a young age, sometimes as early as 8-9 years old, and it is not unheard of for women in the LDC to have 8-16 children over a lifetime. If infant and child mortality rates (IMR and CMR) are high, women must conceive many children for a few to survive to adulthood. These trends are detrimental to an impoverished society resulting in half the population being consumed with birthing and child-rearing, making women unavailable to contribute to the economic, intellectual, and political institutions of the society. It also results in a population that is extremely young and dependent upon others to provide for them.



**#3 Weak Government and Debt Accumulation.** A society without strong, effective leadership will struggle to develop. The theoretical role of government is to provide laws and direction for the safety and improvement of individuals living under its sovereignty or authority. However, not all governments have wise rulers who work for the needs of the people. There are two key traits that cripple a government: incompetency and corruption.

Incompetency is the inability to rule. This can result from a lack of an educated population needed to make important choices. Incompetence can also be the inability to make a sound, reasoned decision; either from a lack of sense or from a skewed opinion of what is right and wrong. North Korea is struggling in part because the leaders invest money into military technological advancements and nuclear weapons development while their people are literally starving. The Taliban in Afghanistan were composed of illiterate warlords, who used violence to gain power. However, once in power, their lack of understanding of the rules of law and how an economy functions crippled the society's viability.

The second great inhibitor of government is corruption or the use of positions of power for dishonest or fraudulent actions. One method of corruption is bribery; having to pay extra to persuade someone to do something (either illegal or beyond their allowed scope of duty). In many periphery countries, people pay the normal price for a service and THEN have to pay a bribe. For example, police officers in Tunisia would go to shop keepers and insist on a payment of money. If money was not paid, the police officer would suddenly "find something wrong" with the



shopkeeper and have them arrested. Or, the police officer would “lift the protection” from the store, leaving it vulnerable to criminals. Government officials in Ukraine expect a bribe to help “speed up” the processing of a person’s paperwork.

A second method of corruption is using foreign aid for personal gain. Many Nongovernment Agencies (NGOs) provide millions of dollars in aid meant for the impoverished people of a country. After decolonization in the 1950s, many government leaders of poor countries were once poor themselves and used the European military as their mode of social progression. As millions of dollars meant for development poured into their country, the leadership used it as an opportunity to help themselves and their friends. Corrupt governments also tend to impose high taxes to ensure the elite’s quality lifestyle stays funded. Revenue earned through taxes and exports are directed to the leader’s personal accounts, while the common people suffer. In Equatorial Guinea, Teodorin Obiang, son of the reigning dictator, owns over seven homes in five different countries; each worth \$20 million or more (not to mention yachts, cars, and private airplanes). Meanwhile, 20% of children in his country under five years old die and 80% do not have access to adequate education or healthcare.

Debt accumulation can be just as crippling as corrupt government officials. Loans from the IMF and World Bank are not free, and must be paid back with interest. If the money is not invested properly into the economy, or if it goes to purchase expensive toys for government leaders, the country finds itself with a broken and bankrupt economy unable to repay its debts. In 2001, Argentina’s GDP was \$123 billion while their debt was \$80 billion. Countries spend a large percentage of their GDP attempting to payback their increasing debt, which means they cannot invest that money into improving the lives of their citizens.



**#4 Cultural Barriers.** The Core western countries are the chief engine of the world economy, who function on the values of western culture: individualism, hard work, investment/capitalism, competition, innovation, scientific research, property rights, freedom, and equality. However, there are over 6,000 different cultures in the world, not all of which have values that line up or agree with western values. These differences in values can create barriers preventing a society from developing within the western-driven system. Certain traditional societies believe that hard work is something to be avoided and done only when necessary. In Senegal, a person who has to work hard all the time is to be pitied. Western society promotes education and entrepreneurship, encouraging people to invent the next great idea. Traditional societies promote their traditional primary sector life. Their religious practices are tied to the actions of their day-to-day lives. Changing their lifestyle would require abandoning the religion of their ancestors. Some periphery societies do not even have writing, let alone a formal “education” system to progress, even if they wanted to do so. Western culture promotes materialism and conspicuous consumption, the accumulation and displaying of material goods as the sign of success. Other societies do not have property laws, where nothing is “owned” by anyone. When societies have vast irreconcilable differences, there can be strong resistance from traditionalists to change to the Western way of living.

**#5 Language & Religious Barriers.** There are over 6,000 different languages, many of which do not have a written language. Without access to western languages, it is difficult to enter trade relationships in the global marketplace, access the immense wealth of knowledge, or negotiate agreements. Religion can also be a great source of conflict within and between societies. Some religions forbid communication or financial cooperation with people of other religions. This can cause violent conflicts between people groups, limiting opportunities.





**#6 Natural Disasters.** For all of mankind's achievements, very few of them withstand the greater forces of nature: hurricanes, floods, tornados, earthquakes, tsunamis, fires, droughts, etc. These forces are especially detrimental to the poor because their houses lack the quality of material and design to withstand brutal conditions. Thus, poor people lose a larger percentage of their possessions in natural disasters, they do not have the funds to flee oncoming disasters, nor do they have the resources to rebuild when the disaster is over.

## CONCLUSION

The Good Life. So many people want it. So few people obtain it.

In the creation and quest of The Good Life, the world faces difficult challenges: extreme poverty, unclean water, resource depletion, and global warming. These are real problems with very real consequences. Change is needed. Change is possible. Who will be the change needed to create a better, sustainable tomorrow?

Will you?

## PERSONAL CONNECTION

Reflect back to the start of the unit: What do you now believe to be the three most important problems facing the world? What do you now feel is your most important possession? Did your perspective(s) change? Why or why not.

## NOTEBOOK APPLICATION

In the back of the notebook, in the Wallerstien Section, update the Core, Periphery, and Semi-Periphery pages. Use the topics from the last two sections to determine the general themes to address (wealth, pollution, barriers, theories of development, corruption...)



## Ch 2 Standards

	Objective	Knowledge
	<b>Industrialization, past and present, has facilitated improvements in standards of living, but it has also contributed to geographically uneven development.</b>	
<b>7.1 Industrial Revolution</b> Ch 2c	Explain how the Industrial Revolution facilitated the growth and diffusion of industrialization.	As industrialization spread it caused food supplies to increase and populations to grow; it allowed workers to seek new industrial jobs in the cities and changed class structures.
		Investors in industry sought out more raw materials and new markets, a factor that contributed to the rise of colonialism and imperialism.
<b>7.2 Economic Sectors &amp; Patterns</b> Ch 2a	Explain the spatial patterns of industrial production and development.	The different economic sectors—including primary, secondary, tertiary, quaternary, and quinary—are characterized by distinct development patterns.
<b>7.3 Measures of Development</b> Ch 2b	Describe social and economic measures of development.	Measures of social and economic development include Gross Domestic Product (GDP); Gross National Product (GNP); and Gross National Income (GNI) per capita; sectoral structure of an economy, both formal and informal; income distribution; fertility rates; infant mortality rates; access to health care; use of fossil fuels and renewable energy; and literacy rates.
		Measures of gender inequality, such as the Gender Inequality Index (GII), include reproductive health, indices of empowerment, and labor-market participation.
		The Human Development Index (HDI) is a composite measure used to show spatial variation among states in levels of development.
<b>7.4 Measures of Development</b> Ch 2g	Explain how and to what extent changes in economic development have contributed to gender parity.	The roles of women change as countries develop economically.
		Although there are more women in the workforce, they do not have equity in wages or employment opportunities.
		Microloans have provided opportunities for women to create small local businesses, which have improved standards of living.
<b>7.5 Theories of Development</b> Ch 2d, 2e,	Explain different theories of economic and social development.	Different theories, such as Rostow’s Stages of Economic Growth, Wallerstein’s World System Theory, dependency theory, and commodity dependence, help explain spatial variations in development.

	Objective	Knowledge
	<b>Economic and social development happen at different times and rates in different places.</b>	
<b>7.6 Trade &amp; the World Economy</b> Ch 2a, 2b,	Explain causes and geographic consequences of recent economic changes such as the increase in international trade, deindustrialization, and growing interdependence in the world economy.	<p>Complementarity and comparative advantage establish the basis for trade.</p> <p>Neoliberal policies, including free trade agreements, have created new organizations, spatial connections, and trade relationships, such as the EU, World Trade Organization (WTO), Mercosur, and OPEC, that foster greater globalization.</p> <p>Government initiatives at all scales may affect economic development, including tariffs.</p> <p>Global financial crises (e.g., debt crises), international lending agencies (e.g., the International Monetary Fund), and strategies of development (e.g., microlending) demonstrate how different economies have become more closely connected, even interdependent.</p>
<b>7.7 Changes as a Result of the World Economy</b> Ch 2c, 2d	Explain causes and geographic consequences of recent economic changes such as the increase in international trade, deindustrialization, and growing interdependence in the world economy.	<p>Outsourcing and economic restructuring have led to a decline in jobs in core regions and an increase in jobs in newly industrialized countries.</p> <p>In countries outside the core, the growth of industry has resulted in the creation of new manufacturing zones—including special economic zones, free-trade zones, and export-processing zones—and the emergence of an international division of labor in which developing countries have lower-paying jobs.</p>
	<b>Environmental problems stemming from industrialization may be remedied through sustainable development strategies.</b>	
<b>7.8 Sustainable Development</b> Ch 2g	Explain how sustainability principles relate to and impact industrialization and spatial development.	<p>Sustainable development policies attempt to remedy problems stemming from natural-resource depletion, mass consumption, the effects of pollution, and the impact of climate change.</p> <p>Ecotourism is tourism based in natural environments—often environments that are threatened by looming industrialization or development—that frequently helps to protect the environment in question while also providing jobs for the local population.</p> <p>The UN's Sustainable Development Goals help measure progress in development, such as small-scale finance and public transportation projects.</p>

	Objective	Knowledge
	<b>Changes in population have long- and short-term effects on a place's economy, culture, and politics.</b>	
<b>2.8 Women &amp; Demographic Change</b> Ch 2e, 2g	Explain how the changing role of females has demographic consequences in different parts of the world.	Changing social values and access to education, employment, health care, and contraception have reduced fertility rates in most parts of the world.
		Changing social, economic, and political roles for females have influenced patterns of fertility, mortality, and migration.