

The Changing Economic World Knowledge Organiser

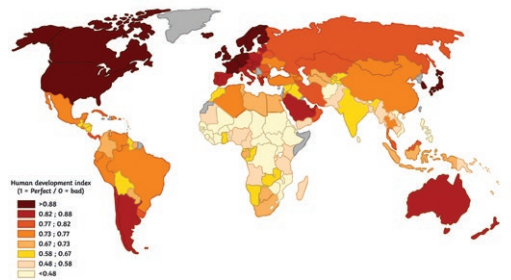
There are Global Variations in Economic Development and Quality of Life

Economic and Social Measures of Development

Economic Indicators	Social indicators
<p>Gross National Income (GNI) – total value of goods and services, including the income earned from investments oversea (US\$).</p> <p>GNI per head – GNI shared equally amongst the country's population (US\$).</p> <p>Gross Domestic Product (GDP) – total value of all the goods and services produced within a country a year (US\$).</p>	<p>Birth rate – number of live babies born per 1000 of population per year.</p> <p>Death rate – number of deaths per 1000 of population per year.</p> <p>Infant Mortality Rate (IMR) – number of live babies under 1 that die per 1000 per year.</p> <p>People per doctor – how many people there are per doctor in a given area.</p> <p>Literacy rate – percentage of people who can read and write.</p> <p>Access to safe water – percentage of people who can get clean drinking water.</p> <p>Life expectancy – the average age a person is expected to live to.</p>

Human Development Index (HDI)

The Human Development Index (HDI) combines information on health, education and wealth. It was created by the United Nations to measure social and economic progress.



Limitations of Social and Economic Measures

You must not just look at one indicator of development as it can be misleading.

Level of Development Links to Demographic Transition Model

The Demographic Transition Model (DTM) shows how birth rates and death rates affect the total population.

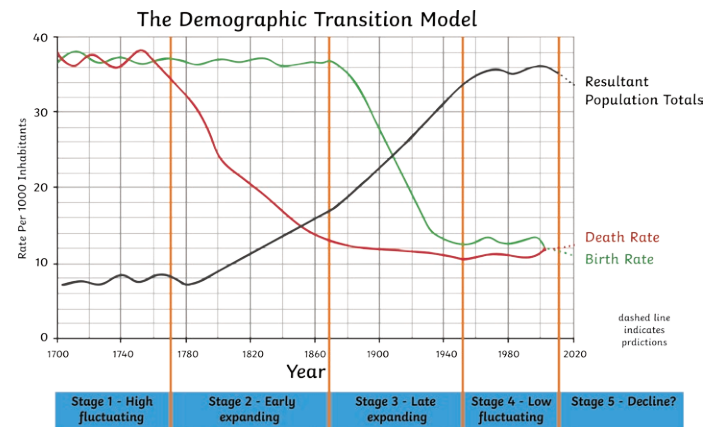
For example:

India – Stage 3

- rapidly falling birth rate
- slowly falling death rate
- increasing population size
- NEE
- developing

UK – Stage 4

- low and fluctuating birth rate
- low and fluctuating death rate
- zero population change
- HIC
- most developed



Causes of Uneven Development

Physical Causes

- Lack of rainfall (e.g. Ethiopia).
- Reliance on subsistence farming results in food shortages due to extreme/changing climate (e.g. Malawi).
- Countries with lots of natural disasters have to spend their money rebuilding (e.g. Haiti – hurricane 2008 and earthquake 2010).
- Few raw materials (e.g. coal, oil, metal ores).
- Steep land/poor soil so not a lot grows.

Economic Causes

- Over-reliance on exporting primary products (raw materials).
- More wealthy countries can manipulate the prices paid for raw materials.
- Poor trade links.
- Some countries have too much debt to pay back after borrowing money in the past.

Historical Causes

- Deaths as a direct result of fighting or disease and malnutrition (e.g. war in the Democratic Republic of Congo has claimed up to six million lives).
- Coups/political instability (e.g. Niger following its independence from France in 1960).
- European colonisation in the 19th century removed slaves and raw materials.
- During civil war, money is spent on weapons instead of development. Infrastructure is also often destroyed.



Consequences of Uneven Development

The main consequences of uneven development are: 1. migration; 2. wealth; 3. health.

Migration occurs if nearby countries have a much greater wealth. For example, every year over 130,000 Mexicans migrate to the USA legally (and thousands more enter illegally) looking for a better quality of life.

Various Strategies Exist for Reducing the Global Development Gap

Strategies for Reducing the Development Gap

Global development gap – the difference between countries in terms of development.

Strategies:

Investment – money from overseas creates opportunities for development (e.g. a large TNC builds a new factory providing new jobs).

Industrial development and tourism – creates job opportunities in new industries and tourist industry, bringing in money from overseas.

Aid – money from governments/NGOs used to create opportunities for development.

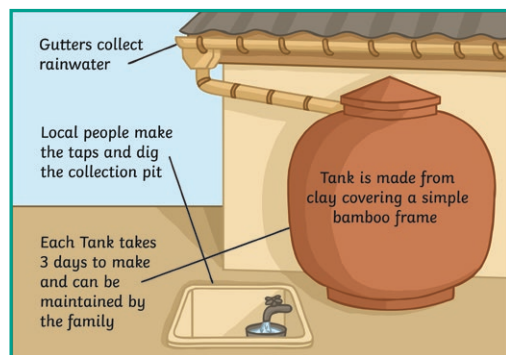
Intermediate Technology – low technology which supports local development (e.g. biogas).

Fairtrade – providing farmers with a more reasonable price for their produce and a social premium for community projects.

Debt relief – some, or all, of a country's debt is reduced/deferred/cancelled.

Microfinance loans – small loans for local people to create their own businesses.

Rainwater harvester:



An Example of how Tourism in Kenya is Reducing the Development Gap

Advantages of Tourism

- Thousands of overseas tourists visit Kenya each year (0.9 million visitors in 1995 1.8 million in 2011).
- Tourism contributes over 12% of Kenya's GDP.
- Visa fees for adults were halved in 2009 making it a cheaper/more popular destination.
- Since 2000, Kenya's Human Development Index has increased from 0.45 to 0.55.
- 10% of all jobs in Kenya are in the tourist industry - nearly 600,000 people!
 - Direct employment in large hotels (e.g. Royal Court Hotel in Mombasa).
 - Indirect employment (e.g. Joseph, a mango farmer, sells his produce to many large restaurants and hotels).
- The investment from the tourist industry has also seen an improvement in the area's roads and infrastructure.
- Street-vendors, selling crafts and jewellery, haggle with the visitors.
- Safari holidays in Kenya's National Parks are popular with tourists searching for the 'Big Five' (lion, elephant, buffalo, leopard, and rhinoceros).

Disadvantages of Tourism

- Studies have found that much of the money spent by tourists in Kenya stays in the large hotels.
- Many hotels are owned by foreign investors so the income generated does not stay in Kenya.
- An International Livestock Research Institute report found reserve's animal populations have declined sharply from 1989 to 2003 due to poaching/human activity (e.g. giraffe numbers are down 95%, warthogs 80% and impala 67%).
- Tourism has had an impact on Kenya's environment (e.g. coral reefs have been damaged by the tourists and the large beach-front hotels are responsible for destroying natural vegetation and habitats).



Some NEEs are Experiencing Rapid Economic Development

Case Study: India

India's Regional and Global Location and Importance

- India's urban population is growing fast (projected to increase by 300 million by 2050).
- The percentage of GDP from the service sector has risen from 33.25% in 1950-1 as more people are employed in tertiary (service) jobs (e.g. the growth of IT firms, especially in Bangalore, has resulted in a dramatic increase of jobs in customer service centres).
- India has the second largest population in the world.
- India's economy is the second fastest growing economy in the world (after China). Experts believe that it will overtake China's economy in the next five years.
- The percentage of GDP from industry has increased from 14.1% in 1950-1, as manufacturing becomes more important to the country's economy.
- Huge inequality between the rich and the poor with just 1% of the population owning 58% of India's wealth.
- India's population is growing so fast that in 5 years it will become the most populated country in the world.
- India is in the 'medium human development' category, and is 131st in a list of 188 countries.
- The percentage of GDP from agriculture has declined from 51.8% in 1950-1, as other industries became more successful.



Political, Social, Cultural and Environmental Context

Political, Social and Cultural Context

- India was a British colony until 1947 when it gained a democratically-elected government.
- India has recently improved its political links with its neighbouring countries.
- India has a strong legal system and many English-language speakers; this has attracted inward investment from foreign businesses.
- India has a fast-growing population of working age. There are 700 million Indians under the age of 35. Many are forward-thinking and looking to break from their cultural roots.
- Wage costs are low in India.
- India's economy has successfully developed highly advanced clusters of IT businesses e.g. Bangalore is a hub for global software businesses.

Environmental Context

The rapid growth of urban populations has resulted in many environmental problems in India.

1. Air pollution

The World Health Organization has ranked Delhi's air quality the worst in the world. The air pollution in India's capital kills around 1.5 million people each year. The Indian government has yet to take substantial action to reduce the problem.

2. Water pollution

The major polluting industry along the Ganges is the leather industry from which Chromium and other chemicals leak into the river. Another issue is sewage, with almost 1 billion litres of mostly untreated raw sewage that enters the river every day.

The Changing Industrial Structure and the Role of TNCs

TNCs (Trans-National Corporations) are companies that are located in more than one country, or that buy and sell products in more than one country. TNC factories are normally located LICs or NEEs where labour is cheaper and there are fewer environmental regulations/employment laws. TNC headquarters and offices are normally located in MICs.

In July 1991, the Indian government opened the doors of the Indian market to TNCs; the number of foreign companies increased from 489 in 1991 to 3191 companies in 2012. Foreign Direct Investment also increased from US\$129 million (1991) to US\$ 32 billion (2012)!

Advantages of TNCs	Disadvantages of TNCs
<ul style="list-style-type: none"> • Improved infrastructure and provision of basic needs in India as this improves business conditions near to where they are operating. • Local people have more access to the comforts of life with a larger variety of choices. • Contribution to government revenues through taxation. • As many as 50 new mobile phone factories were set up in India in 2016, creating employment for 20,000 people. Nine million smartphones can now be produced in India each month. 	<ul style="list-style-type: none"> • More highly paid tertiary and quaternary jobs tend to be in MICs. • Lower-paid secondary jobs tend to be in LICs/NEEs. • Increased risk of pollution. • Mercury contamination in Kodaikanal, India originated at a thermometer factory that was owned by Hindustan Unilever (part of Unilever). • One water sample from a river near the pharmaceutical manufacturing plants in the city of Hyderabad, in southern India, contained almost a million times the safe limit of antibiotics.

Major Changes in the Economy of the UK

Moving Towards a Post-Industrial Base

Causes of economic change include:

- Decline of traditional industrial base** – because many raw materials in the UK have been used up or are too expensive to extract.
- Globalisation** – cheaper production costs in LICs/NEEs have increased competition from overseas. Tertiary and Quaternary jobs now make up over 81% of the UK economy.
- Government Policies**

Important industries in the UK include:

- Services** – e.g. retail, personal services and healthcare.
- Information technology** – access to the large European market and a highly-skilled workforce have resulted in the growth of IT industries in the UK (e.g. Vodafone HQ is in the UK. It is the second largest phone company in the world measured by number of connections).
- Finance** – many global financial institutions have their HQ in the UK, especially in London (e.g. HSBC and Barclays). Financial services employ about 315,200 in London.
- Research and Development** – the UK ranks eighth in the R&D industry, with healthcare accounting for over half of the R&D spend. GlaxoSmithKline Pharmaceuticals spent over £3.5 billion on R&D in 2016.
- Science and industrial parks** – tertiary and quaternary industries are increasingly found in science and business parks in the UK, many of which are found on the M4 corridor.

Impacts of Industry on the Physical Environment: Modern Industrial Development can be Sustainable

Example: Wind farms in the UK

- Windfarms across the UK generated more electricity in 2016 than coal power plants.
- Coal electricity generation fell from 22.6% in 2015 to 9.2% in 2016 as three coal-fired power stations closed.
- Wind power provided 11.5% of electricity in 2016.
- The government must phase out coal power by 2025 to meet carbon targets, but expect the final plant to close within five years as environmental policies make coal increasingly uneconomic.

Disadvantages of Wind Power	Advantages of Wind Power
<ul style="list-style-type: none"> Some people worry that wind turbines look ugly. Some people claim that property prices fall after the introduction of wind turbines. Some people believe that wind turbines have a negative effect on tourism. Some people would prefer all wind turbines to be put out at sea. Whilst they could harness more wind, they would be very expensive and time-consuming to build. Bird-lovers argue that wind turbines are responsible for the death of many birds. 	<ul style="list-style-type: none"> Wind power is a renewable source of energy. They can be used to supply energy in remote places. Wind power produces no greenhouse gas emissions or waste products. Projects are developed by a diverse range of people (from farmers to large energy companies). Wind turbines can promote tourism (e.g. a MORI poll in Scotland showed that 80% of tourists would be interested in visiting a wind farm).



Social and Economic Changes in the Rural Landscape

Areas of Population Growth

Counter-urbanisation: when a large number of people move from urban areas into surrounding rural areas.

Causes of Counter-Urbanisation

- The rise in personal wealth and mobility has made rural-living more accessible.
- Increase in number/type of services e.g. supermarkets, cashpoints, pubs & restaurants.
- Many people moving here are elderly, attracted by the mild climate and beautiful scenery.
- Modern technology (including the use of email, video-calling, fast internet connections and teleworking), offers people and businesses greater flexibility as to where work takes place.
- Over the last 60 years, a 3500 kilometre motorway network has made cities more easily accessible for affluent motorists living in the countryside.
- Lots of new detached houses, converted barns or cottages and expensive estates.
- Good public transport links.

Example: North Somerset

- Many workers in Bristol commute from North Somerset. They often commute on a daily basis and the settlements they live in become known as dormitory villages (e.g. Nailsea, 8 miles south-west of Bristol).
- House prices here are an average of £311,586 (the UK average house price is £234,466).
- The population increased 25% between 1981-2011 (compared to 13% increase across the rest of the UK).
- The village of Nailsea is close to the M5 motorway, Bristol Airport and a railway station.

Areas of Population Decline

De-population: a substantial reduction in the population of an area.

Causes of De-Population

- Reduction in traditional employment due to mechanised farms, increased competition from abroad for farm produce and exhaustion of natural resources (e.g. tin, copper).
- Few jobs (often low-paid) and relatively high unemployment.
- Increase in popularity/second homes causes house prices to rise so young people can't afford to live there and are forced to move away.
- Less people results in fewer services (e.g. banks, doctors, post offices and public transport). According to DEFRA, 30 rural schools have closed every year since the 1970s.
- Young people move away leaving older people behind.

Example: Cumbria

- In Cumbria, over 700 agricultural jobs were lost between 2000 and 2007.
- Services close due to lack of demand e.g. 35 Post Offices closed in Cumbria in 2008, Welton School which had 9 pupils closed in 2011.

Improvements/Developments in Transport

<p>Road Infrastructure</p> <p>A1 Newcastle-Gateshead Western Bypass</p> <ul style="list-style-type: none"> • Important to the economy of the north east and for national journeys. • The route has some of the most congested highway links in the region. • The Allerdene Bridge (which carries the A1 over the East Coast Main Line) was constructed nearly 40 years ago and requires regular maintenance. • Widening the A1 to three lanes. • Improvements planned in order to meet current demand and to address the forecast impact of traffic growth (20,000 new jobs are planned in the region by 2030). 	<p>Rail Infrastructure</p> <p>High Speed 2 (HS2)</p> <ul style="list-style-type: none"> • Estimated cost is at least £40 billion. Predicted to be open in 2025. • A new highspeed rail link from London to Birmingham and then on to Sheffield, Leeds and Manchester. • Reduced journey times between London and northern cities with speeds of up to 250mph. • Includes many areas of natural beauty/interest and green belt land. • Requires compulsory purchase of many homes and land. • Tunnels will be used on large sections of the route. 	<p>Airport Capacity</p> <p>Expansion of Heathrow Airport</p> <ul style="list-style-type: none"> • Plans for a third runway. • The busiest UK airport with 75 million passengers in 2015. • Could contribute £61 billion to the economy and create 77,000 additional local jobs over the next 14 years. • It will create further noise pollution. 	<p>Port Capacity</p> <p>Port of Felixstowe and the London Gateway</p> <ul style="list-style-type: none"> • Unlike most other countries (where most ports operate under public control), UK ports all operate in the private sector. • The majority of investment is concentrated in London and the south-east, benefitting from the close proximity to the vast EU market. • The Port of Felixstowe is UK's largest container port. • EU grant of £10.4 million will provide a rail link from Felixstowe to the Midlands.
---	--	---	--

<p>Strategies Used in an Attempt to Resolve Regional Differences</p> <p>Policy to reduce the north-south divide began in the 1930s, however, it has not been very effective. The gap in performance between regions has widened over this time. This is because the majority of interventions have tended to reinforce the existing industrial structure, with policies that support low-knowledge, more routine activities (e.g. call centres).</p> <p>Northern Powerhouse</p> <p>The government hopes to reduce the north-south divide and attract investment into northern cities and towns with the introduction of the 'Northern Powerhouse' (a concept which will encourage the major northern economies to unite; giving them with more political powers).</p> <p>One of the Northern Powerhouse's main targets is to improve transport links between the north's major cities to enable them to compete together as one major economy, instead of competing against each other.</p> <p>The Northern Powerhouse Independent Economic Review (NPIER) believe that a higher-performing and more united northern economy could add more than £97 billion to the UK economy and generate 850,000 new jobs by 2050.</p>	<p>The Place of the UK in the Wider World</p> <ol style="list-style-type: none"> 1. The UK has the fifth largest GDP in the world. 2. The UK is the second largest economy in the European Union. 3. In 2016, the UK was the tenth-largest goods exporter and the fifth-largest goods importer in the world. 4. In 2015, the UK had the fourth-largest inward foreign direct investment. 5. In 2013, the UK had the second-largest outward foreign direct investment. 	<p>Transport</p> <p>The UK's good transport links connect the UK with the wider world. For example:</p> <ol style="list-style-type: none"> 1. Heathrow International Airport is the world's 6th largest airport with 74,989,795 passengers passing through in 2015. 2. The Channel Tunnel provides a vital rail link to Europe, with up to 400 trains passing through each day, carrying an average of 50,000 passengers, 6,000 cars, 180 coaches and 54,000 tonnes of freight. 	<p>Electronic Communication</p> <p>The first Industrial Revolution began in 18th-century Britain with the invention of the steam engine and the birth of factories.</p> <p>When Henry Ford invented the assembly line and mass production capabilities, in 1913, the second Industrial Revolution began.</p> <p>The internet introduced the third Industrial Revolution, which completely changed the ways in which we live and work.</p> <p>Now, experts believe we are starting on the fourth Industrial Revolution - the rise of digital lifestyles. The driving force behind this is the rise of the smartphone (four out of five UK adults now have a smartphone - equivalent to 37 million people). Mobile operators are always looking for ways to innovate and make life easier, safer and smarter for everyone.</p>	<p>Trade Links</p> <p>The UK trades globally - especially with the USA, Asia and Europe. In 2016, the UK was the tenth-largest goods exporter (with overseas exports being worth over £250 billion per year) and the fifth-largest goods importer in the world. The UK is a member of the Commonwealth, the IMF, the European Union (until 2019), the G7, the G8 and the G20.</p>
---	---	--	---	--