**ECONOMIC DEVELOPMENT**

Historically, economists divided the world’s nations into 3 categories:

* 1st World Countries - the Wealthiest countries (industrialized)
* 2nd World Countries - Communist countries
* 3rd World Countries - the poorest countries (primarily agricultural)

Now, economists just use 2 categories:

* Developed Countries - the wealthiest countries (US, Canada, western European countries, Australian, New Zealand, Japan)
* Less Developed Countries (LDCs) or Developing Countries- poorer countries (this includes the poorest countries in the world, and other countries like Mexico, Saudi Arabia, and former Soviet countries that haven’t reached a high standard of living for most citizens)

The primary measure is **per capita GDP** (nation’s GDP/population). Other measures include:

* Energy Consumption - more energy consumption , more developed (b/c more industrial)
* Labor Force - more industrial jobs (vs. agricultural), more developed
* Consumer Goods - more consumer goods produced per capita, more developed
* Literacy - higher literacy rates, more developed
* Life Expectancy - longer life expectancy, more developed
* Infant Mortality rate - lower infant mortality rate, more developed
* Infrastructure - more infrastructure, more developed

Several countries have made dramatic recent economic improvement, including:

Mexico, Brazil, Malaysia, Thailand, and the “four Asian tigers,” Singapore, Hong Kong, South Korea, and Taiwan

The **World Bank** is an international organization devoted to assisting development. Uses per capita GNP to categorize countries (see p. 476)

The International monetary Fund **(IMF**) is an international organization (almost all U.N. nations belong) that monitors exchange rates and balance of payments, and provides technical and financial assistance.

As our economy has become more global, several issues are of recent concern:

* Out-sourcing - transferring work to another country (esp. of concern in the computer industry)
* Child Labor, Human Rights and Environmental Violations many developing nations do not protect the rights of workers or the environment. Some feel is it morally wrong to support these nations by buying their products or using their labor, and hope that economic pressure may bring about needed reforms. Some products boast a “fair trade” label which means that the product has been produced according to minimum standards for labor, environment, and wages.

**Economic Conditions and Policy Decisions**

A company’s profit motive often leads to conflicts These include:

* Environmental Concerns
  + The government must set regulations so that the environment is protected. (Primarily the EPA)
  + Ex. **Clean Air and Water Act** – limits the amount of pollution companies are allowed to generate
  + Toxic materials are also highly regulated (ex. radioactive material)
  + This can lead to the **NIMBY debate** (Not In My Back Yard) – no one wants toxic waste dumped in their state
* Political Concerns
  + The US and other nations use economic measures to put pressure on countries for a variety of reasons. (Countries that violate human rights, deny democracy, engage in nuclear weapon proliferation)
  + Ex. **Cuban Economic Embargo**
  + Ex. **OPEC oil embargo**
  + Ex. Possible economic sanctions with Iran
* Concerns that Protect the Public
  + Ex. **Zoning laws**
  + Ex. **Building codes**