

# Unit 4 Economics



**CHAPTER 9-11-12**

# Human Development Index 9.1



- Countries are classified as developed or developing
- HDI measures level of development..100%
- HDI is based on
  - A decent standard of living
  - Access to Knowledge
  - A long and healthy life

USA ....Ranks in the top HDI score

## Economic Structure 9.2



- Developed countries have higher average incomes than developing countries.
- People in developed countries are more productive and process more goods

# Access to Knowledge 9.3



- People in developed countries complete more years of school
- Developed countries have lower pupil/teacher ratios and higher literacy

# Health Indicators 9.4

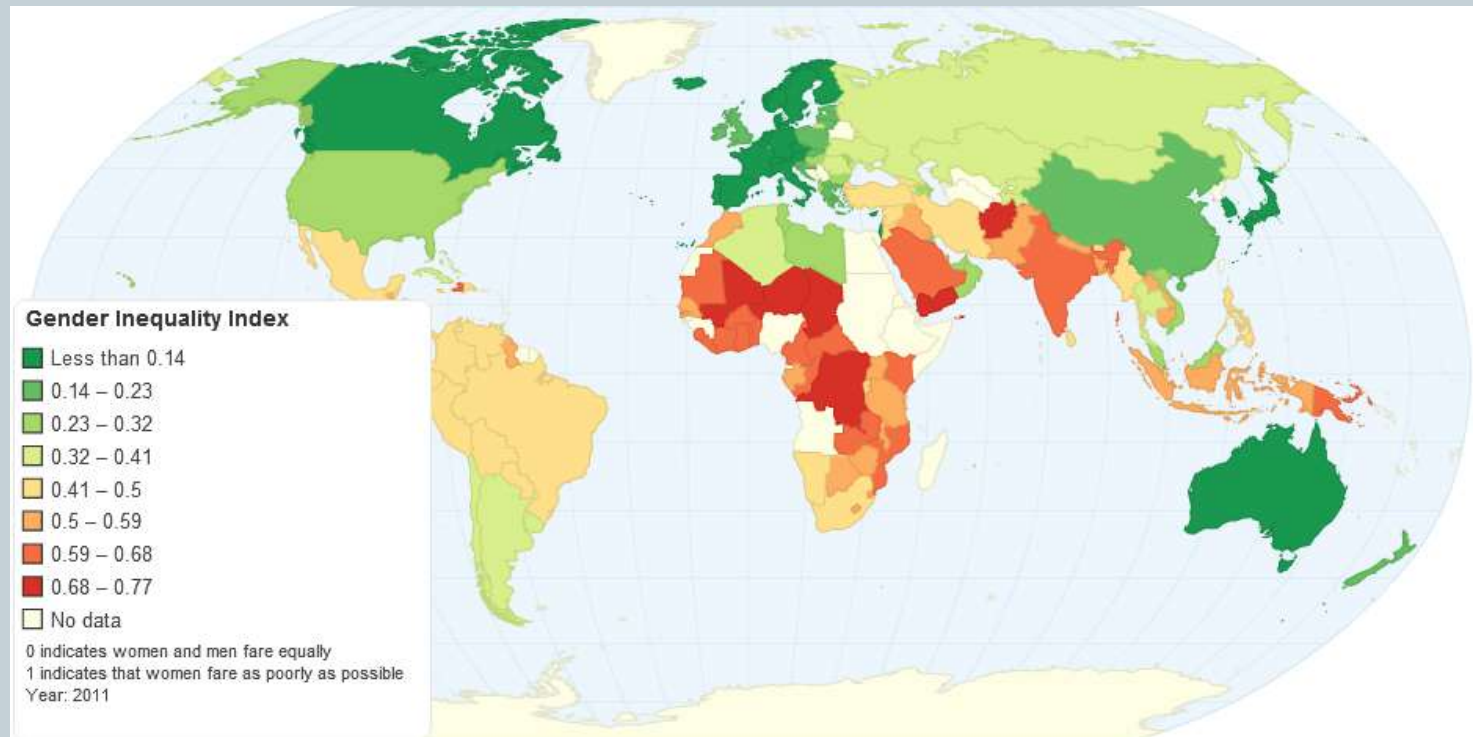


- People live longer in developed countries
- Developed countries spend more on health care
- Developed countries spend more than \$4000 per person
- Developing countries spend around \$200

# Gender-Related Development 9.5



- The status of women is lower than that of men in EVERY country
- Gender Inequality Index (GII) measures inequality between men and women



# Two Paths to Development 9.6



- Self-sufficiency
  - Investment is spread as equally as possible across all sectors of a country's economy
  - Reducing poverty takes a precedence over encouraging a few people to become wealthy consumers
  - India
    - people did not take advantage of making things better

# International Trade



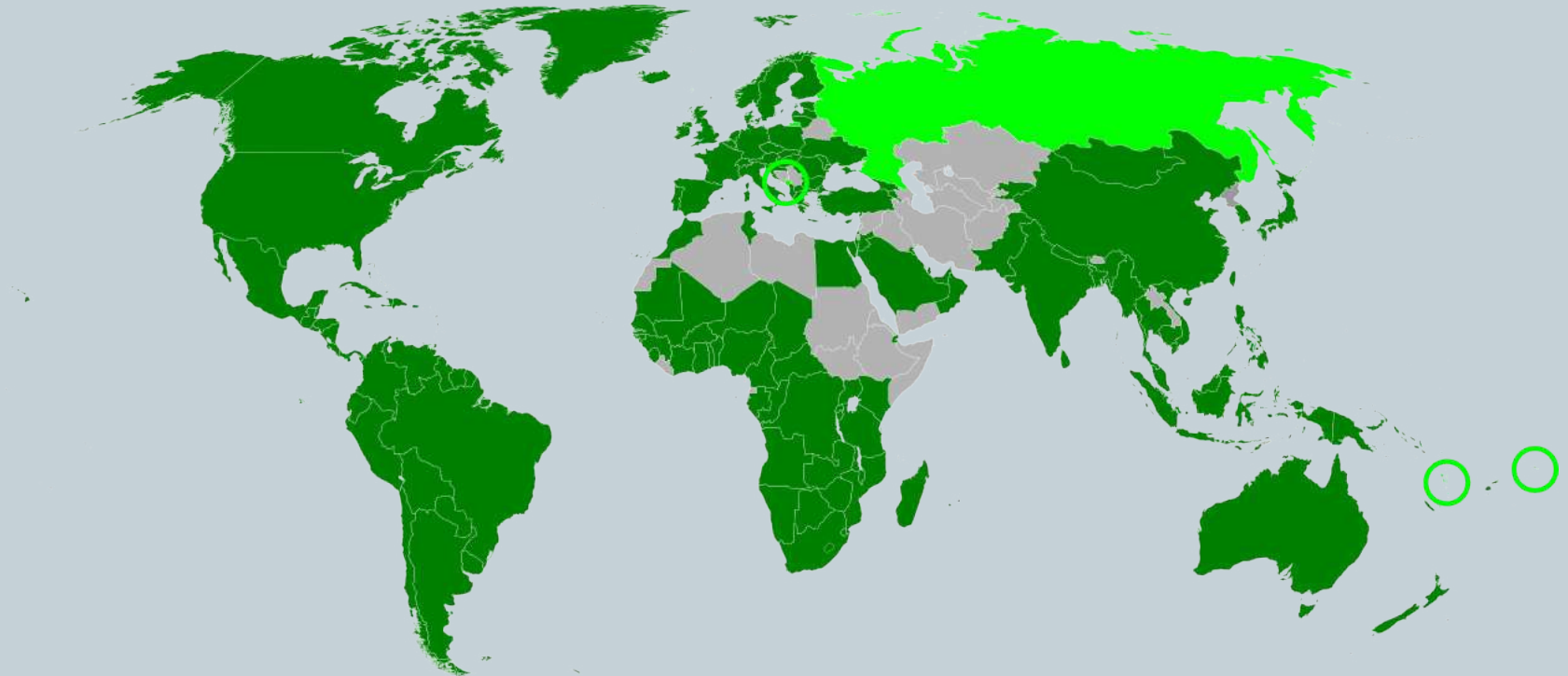
- A country can develop economically by concentrating on scarce resources
  - Arabian Peninsula...petroleum
  - The Four Dragons...clothing and electronics
    - South Korea
    - Singapore
    - Taiwan
    - Hong Kong
- Building up certain industries often hurts other necessary industries



# World Trade Organization 9.7



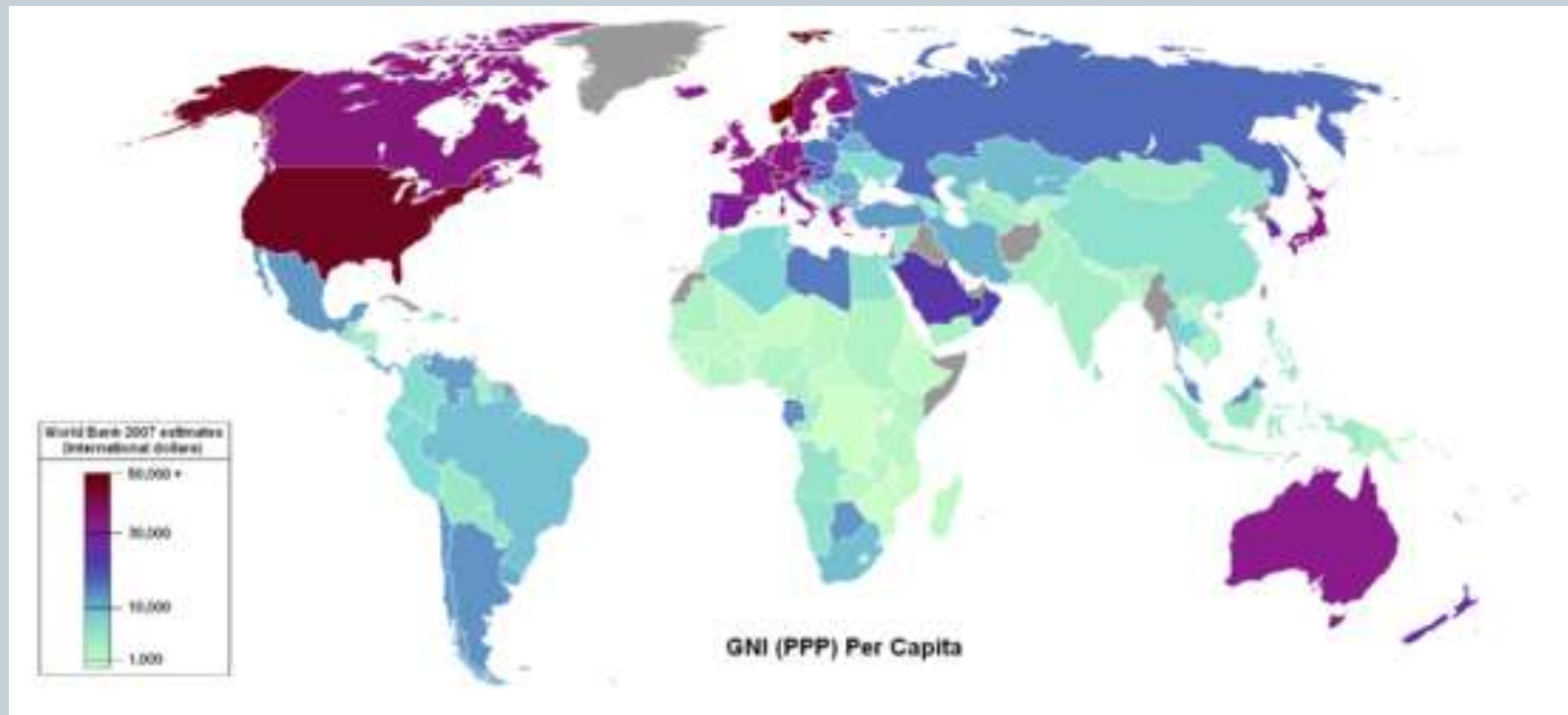
- The WTO is the only global international organization dealing with trade between nations



# Financing Development 9.8



- Developing countries finance development through foreign aid and loans
- What does this graph show.....



# Fair Trade 9.9



- Model designed to protect small business and workers
- Fair Trade means a higher percentage of the sales price goes back to the producer
- Look for this logo on products you buy



# Millennium Development Goals 9.10



1. End Poverty and Hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child Mortality
5. Improve maternal health (survive complications of pregnancy)
6. Combat HIV/AIDS-malaria-other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

Which countries are struggling with these goals?  
What would your goal #9 goal be?

# Economic Structure



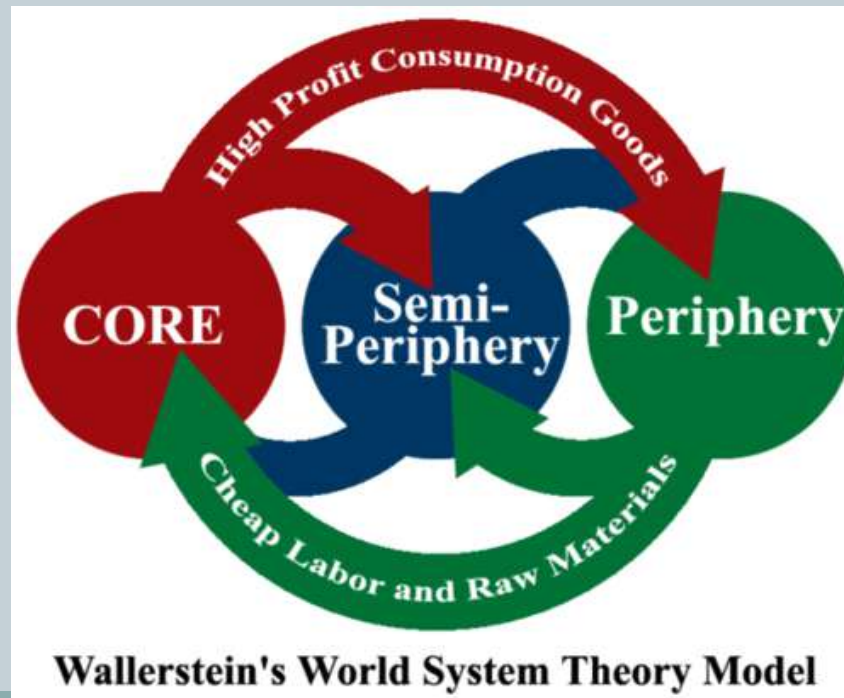
- **Primary sector**
  - Agriculture -----wheat and meat
- **Secondary sector**
  - Manufacturing -----steel and coal
- **Tertiary sector**
  - Services----tangible goods such as clothes or shoes

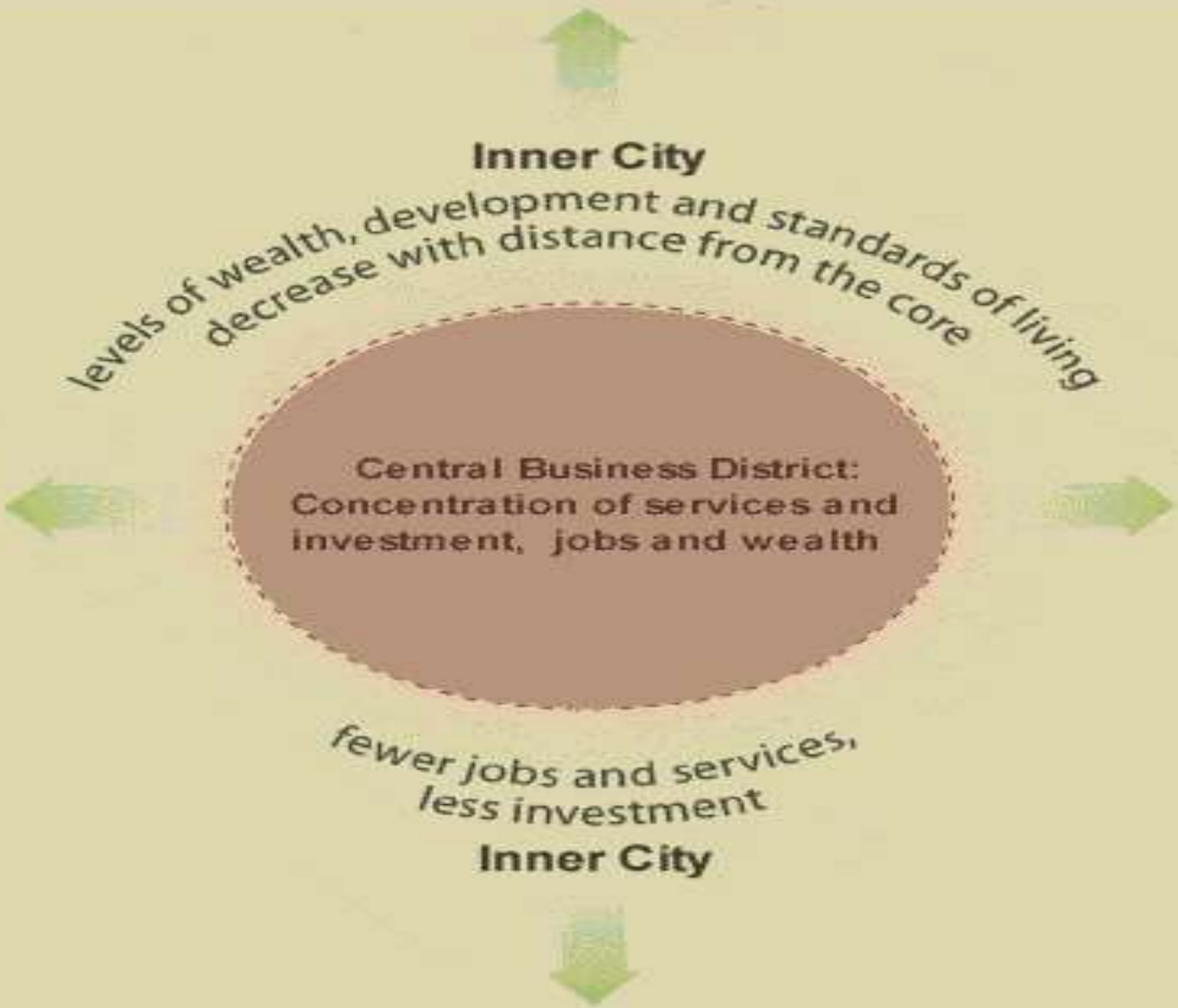


Core- A term referring to either a metropolitan statistical area or a micropolitan statistical area

Periphery- A model of North American urban areas consisting of an inner city surrounded by large suburban residential and business areas tied together by a beltway or ring road

Semi Periphery- In between





**Inner City**  
levels of wealth, development and standards of living  
decrease with distance from the core

The diagram illustrates a city model with a central business district (CBD) at the core. The CBD is represented by a brown oval with a dashed border, containing the text "Central Business District: Concentration of services and investment, jobs and wealth". Surrounding the CBD is the "Inner City", which is labeled at the top and bottom. The top "Inner City" label is accompanied by the text "levels of wealth, development and standards of living decrease with distance from the core". The bottom "Inner City" label is accompanied by the text "fewer jobs and services, less investment". Four green arrows point outwards from the CBD towards the top, bottom, left, and right, indicating the direction of decreasing wealth and development.

**Central Business District:**  
Concentration of services and  
investment, jobs and wealth

fewer jobs and services,  
less investment

**Inner City**

# Industrial Revolution 11.1



- Transformed how goods were produced for society
- The transformation was far more than industrial and it did not happen overnight
- The industrial Revolution resulted in new social, economic, and political inventions, not just industrial ones



# Transformed industries



- Coal
- Iron
- Transportation
- Textiles
- Chemicals
- Food Processing

# Distribution of Industry 11.2



- Three fourths of the worlds manufacturing is clustered in three regions
- Europe
- North America
- China

# Factors in locating industry 11.3



- Site where and why a city develops and changes
- Situation factors involve transporting materials to and from a factory
  - Water
  - Railroads

# Situation Factors



- A firm seeks a location that minimizes the cost of transporting inputs to the factory and finished goods to the consumer.
- The farther something is transported the higher the cost.
- A Manufacturer tries to locate its factory as close as possible to both the buyers and sellers

# Weber's Cost Theory



- } Alfred Weber (1868-1958) formulated a theory of industrial location in which an industry is located where it can minimize its costs, and therefore maximize its profits.
- } Weber's least cost theory accounted for the location of a manufacturing plant in terms of the owner's desire to minimize THREE categories of cost:

# Transportation



}Transportation: the site chosen must entail the lowest possible cost of moving raw materials to the factory, and finished products to the market.

This, according to Weber, is the most important.

# Labor



}Transportation: the site chosen must entail the lowest possible cost of moving raw materials to the factory, and finished products to the market.

This, according to Weber, is the most important.

# Agglomeration



Agglomeration: when a large number of enterprises cluster (agglomerate) in the same area (e.g. city), they can provide assistance to each other through shared talents, services, and facilities

(e.g. manufacturing plants need office furniture)



# Proximity to Markets



- Bulk-gaining industries
  - Something that gains volume or weight during production
    - Beverages
- Single-market manufactures
  - Makes products sold primarily in one location
    - General Motors or Toyota
- Perishable products
  - Must be located near their markets because they can spoil
    - Meat and produce

# Changing Steel Production 11.4



- Steel has traditional been a prominent example of a bulk-reducing industry
- Restructuring has made steel production more sensitive to market locations
- Where we find it is where we develop the industries

# Ship by boat-rail-truck-air 11.6



- Inputs and products are transported in one of four ways
  - Boat
  - Rail
  - Truck
  - Air

# Break of Bulk Points



- Every time a good is transported to another transportation mode the cost goes up
- A Break-of-bulk point is a location where transfer among transportation modes is possible

# Site Factors in Industry 11.7



- Site factors result from the unique characteristics of a location
- The three main site factors are labor-land and capital
  - Labor intensive industry-wages and labor are a high percentage of costs
  - Land industry-need room for production and access to goods
  - Capital-Manufacturers borrow capital or money to establish new factories

# NAFTA



- NAFTA created the world's largest free trade area, which now links 450 million people producing \$17 trillion worth of goods and services.
- Trade between the United States and its NAFTA partners has soared since the agreement entered into force.

# NAFTA



- NAFTA Part 1
- <https://www.youtube.com/watch?v=ZnVLod9fwkY>
- Discuss....is NATA Good or bad
- NAFTA Part 2
- <https://www.youtube.com/watch?v=XxQQael1ueE>

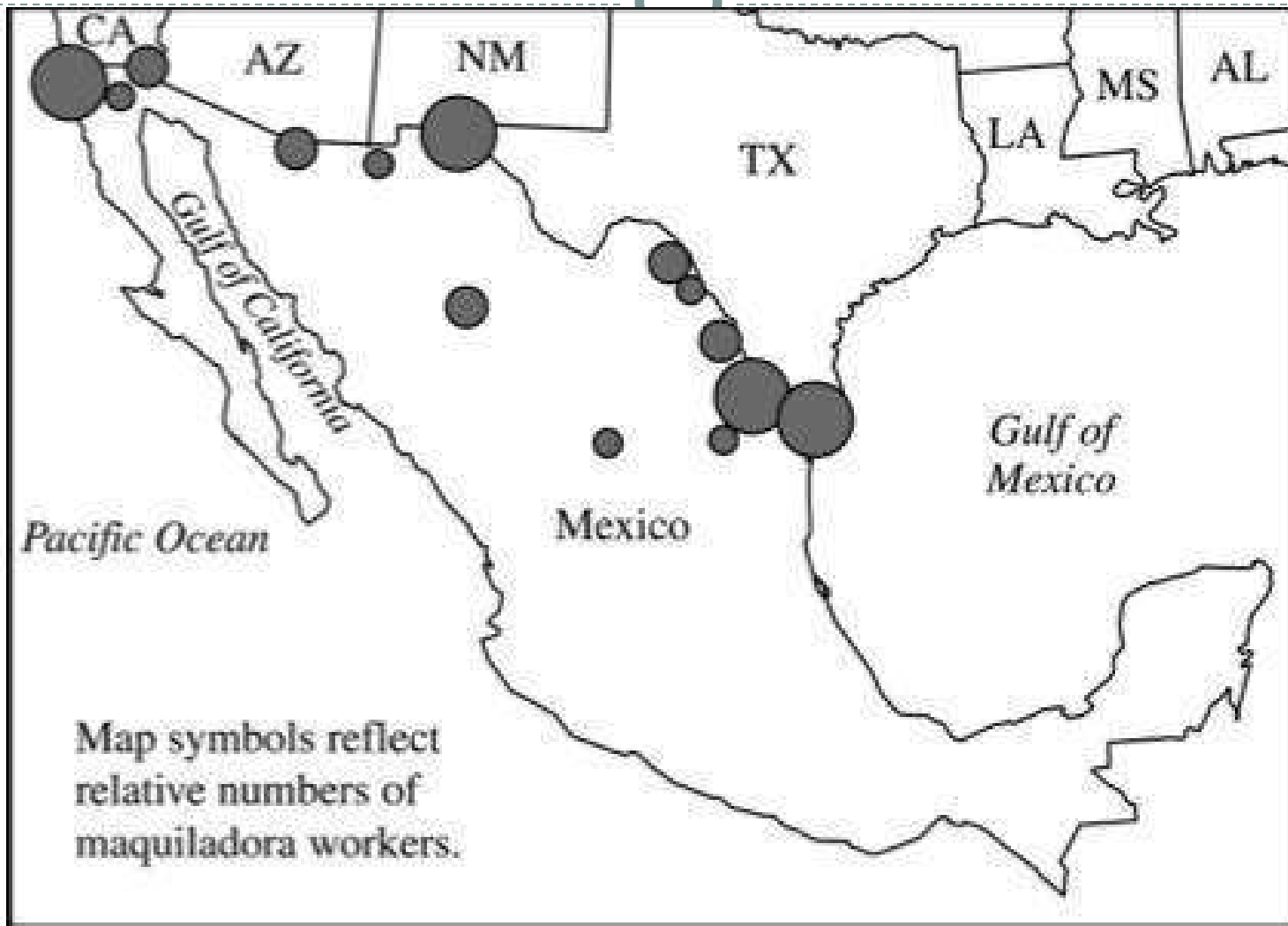
# Maquilador



- An Assembly plant in Mexico, especially on or along the border between the United States and Mexico, to which foreign materials and parts are shipped and from which the finished product is returned to the original market







# Emerging Industrial Regions 11.9



- Manufacturing is growing in locations not traditionally considered as industrial centers
- BRIC countries are expected to be increasingly important industrial centers
  - Brazil
  - Russia
  - India
  - China

# BRIC



- The four BRIC countries together currently control  $\frac{1}{4}$  of the world's land and  $\frac{2}{5}$  of the world's population
- But the 4 BRIC countries combined only account for  $\frac{1}{6}$  of the world's GDP (The value of total output of goods and services produced in a country in a year)

# Understanding the importance of China

A decorative graphic consisting of a white circle with a grey outline, positioned centrally below the title and above a horizontal dashed line.

- [http://www.ted.com/talks/martin\\_jacques\\_understanding\\_the\\_rise\\_of\\_china](http://www.ted.com/talks/martin_jacques_understanding_the_rise_of_china)
- Discussion and Questions

# Types of Services 12.1



- **Consumer**
  - provide services to consumers who desire them and can afford them
  - Retail-Education-Health-Leisure
  - 1/2 of all US jobs
- **Business**
  - Facilitate other business
  - Professional services-Financial service-Transportation
  - 1/4 of all US jobs
- **Public**
  - Provide security and protection for citizens or business
  - 16% of all jobs

# Central Place Theory 12.2

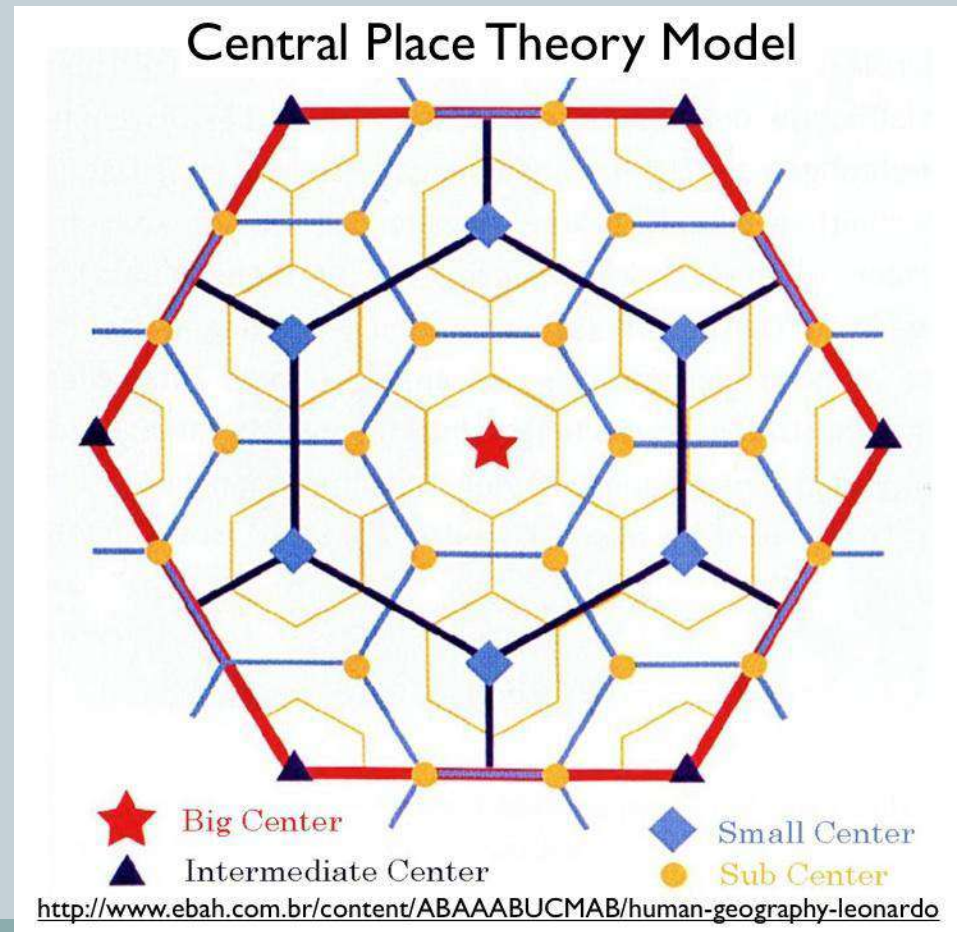


- Central Place Theory looks at the location of consumer services in terms of:

**market area:** selecting the right location

**range:** maximum distance people are willing to travel to use a service

**threshold:** minimum number of people needed to support the service



# Market Area Analysis 12.4



- Retailers determine profitability of a site by calculating the range and threshold
- Range: How far people are willing to travel to reach the retail store
- Threshold: How many people do you need to sustain the retail store
- Draw the market area: draw a circle within a 15 minute travel radius

# Hierarchy of Business Services 12.5





# Urbanization 12.10



- Developed countries have a higher percentage of people living in urban areas...a consequence of economic restructuring
- Most of the world's largest cities are in developing countries

