

## Unit Five Vocabulary

**Measures of development:** used to distinguish LDCs from MDCs. They include GDP, literacy rate, life expectancy, calorie intake, etc.

-**GDP: (gross domestic product)** the total value of goods and services produced in a year in a given country. The value varies greatly between MDCs and LDCs and is one of the best indicators of development.

-**GNP: (gross national product)** similar to GDP except that includes income that people earn abroad.

-**GNI PPP: (gross national income with purchasing power parity)** PPP takes into account price differences between countries. Usually goods in LDCs are priced lower, so this makes the difference between LDCs and MDCs less.

-**HDI: (human development index)** an aggregate index of development, which takes into account economic, social and demographic factors, using GDP, literacy and education, and life expectancy.

-**PQLI (physical quality of life index)** based on literacy rate, infant mortality rate, and life expectancy at age one.

-**Calorie consumption** as a percentage of daily requirement is an important index of development. People in MDCs generally consume more than 130% of their daily requirements, but most people in LDCs barely get enough to sustain themselves (e.g., Sub-Saharan Africa).

**Core-periphery model:** describes the pattern of distribution of the MDCs and LDCs. When the earth is viewed from the North Pole (azimuthal), the MDCs are clustered near the center of the map (core) while the LDCs are near the edges (periphery).

**World Systems Theory: (Immanuel Wallerstein)** illuminated by a three-tier structure (core, semi-periphery, periphery); refers to perspective that seeks to explain the dynamics of the "capitalist world economy" as a "total social system". Important because explains the power hierarchy in which powerful and wealthy "core" societies dominate and exploit weak and poor peripheral societies.

**Liberal Models:** assume all countries are capable of developing economically *in the same way*, and 2) disparities b/w countries & regions are the result of short-term inefficiencies in local or regional markets.

**Walter Rostow's Modernization Model (1960s)** stated countries develop through five stages:

Stage 1: Traditional

Stage 2: Preconditions for takeoff

Stage 3: Takeoff

Stage 4: Drive to Maturity

Stage 5: Age of Mass Consumption

**Structuralist Models:** economic disparities are the result of historically derived power relations w/in the global economic system; cannot be changed easily (misleading to assume all areas will go through the same process of development).

**Dependency Theory: (structuralist)** states that political & economic relationships b/w countries & regions control & limit the developmental possibilities of less well-off areas (e.g., imperialism caused colonies to be dependent – this helps sustain the prosperity of dominant areas & poverty of other regions); only at later stages of development does the core have a positive impact on the periphery (grants, loans, specialized economic zones,...).

**Neocolonialism:** the economic control that MDCs are sometimes believed to have over LDCs. Through organizations such as the IMF, the MDCs are able to dictate precisely what LDCs economic policies are, or are able to use their economic subsidies to put LDCs industries out of business.

**Standard of living-** refers to the quality and quantity of goods and services available to people and the way they are distributed within a population. *Higher standards of living are found in MDCs rather than LDCs.*

**Tourism:** a service industry giant, a means by which countries are seeking to develop; tourism & travel = 11% of all global jobs, and 11% of global GDP; the initial investment by the “host” country is huge (i.e. building hotels diverts money that could be used for housing, education, ...); many hotels are owned by MNCs, NOT the “host” country; affects the local economy little.

-Tourism can *diminish cultural landscape distinctiveness* (make more homogenous) – hotels, fast food chains, resorts, theme parks, and environmental degradation (litter, pollution, effects on wildlife).

-Tourism can *enhance cultural landscape distinctiveness* (place preservation, uniqueness & marketing) – preservation of historic buildings; sustaining indigenous (native) lifestyles; promotion of exotic scenery & wildlife (*ecotourism*); conservation of natural resources (mostly for commercial reasons – for tourism industry).

**OECD: (Organization for Economic Co-operation and Development)** born after World War II to coordinate the Marshall Plan; today has 30 member countries (which produce > 2/3 world's goods & services), w/ more than 70 developing and transition economies working w/ them

**Globalization:** expansion of economic, political, and cultural processes to a global scale and impact; these processes transcend state boundaries.

**Industrial revolution** – term for the social and economic changes in agriculture, commerce, and manufacturing resulting from technological innovation and specialization in the late 18<sup>th</sup> c. Europe.

**Cottage industry:** industry in which the production of goods and services is based in homes (not factories); *specialty goods* (assembled individually or in small quantities) are often produced in this manner.

**Brick-and-mortar industry:** industry with actual stores in which trade or retail occurs; doesn't solely exist on the internet.

**Footloose industry:** industry in which the cost of transporting both raw materials and finished product is not important for the location of firms (e.g., diamonds, computer chips).

**Primary vs. secondary industrial location:** Von Thünen only had to deal with primary industries, which are obviously located adjacent to the natural resources (farming, ranching,...). Secondary industries are less dependent on resource location; they deal with more variable costs such as energy, transportation, and labor.

**Factors of industrial location:** numerous costs are considered; some costs are transportation, labor, agglomeration, market, energy, terrain, climate, personal preference, the product itself, ...

**Ullman's conceptual frame:** Edward Ullman proposed that trade was an interaction based on three phenomena:

-**Complementarity:** when two regions, through trade, can specifically satisfy each other's demands.

-**Intervening opportunity:** presence of a nearer opportunity diminishes the attractiveness of sites farther away.

-**Transferability:** the ease (or difficulty) in which a good may be transported from one area to another.

**Weber's least cost theory:** Alfred Weber described the optimal location of a manufacturing firm in relation to the cost of transportation, labor, and advantages through agglomeration.

-**Weight-losing case: (bulk reducing)** if the finished product costs less to transport, the firm will be located closer to the raw materials to reduce cost.

-**Weight-gaining case (bulk gaining)** if the finished product costs more to transport, the firm will be located closer to the market to reduce cost.

**Substitution principle:** losses in one area may be offset by savings in another (e.g., higher labor costs could be offset by lower taxes).

**Network:** a set of interconnected nodes without a center (e.g., financial, transportation, communication, governmental, ...) with modern [information] technology, networks enable globalization to occur and create a higher degree of interaction and interdependence than ever before.

**Primary industrial regions:** represent the strongest (and mostly the original) industrial zones (all in the Northern Hemisphere):

- Eastern North America:** strongest and most dominant since WWII

- Western & Central Europe:** oldest and highly urbanized

- Russia & Ukraine:** massively developed under communism (only primary region abundant in oil & natural gas)

- Eastern Asia:** Japan's dominance is being challenged by China (dominant in terms of low cost mass production) and the **"Four Tigers"** (South Korea, Hong Kong, Taiwan, and Singapore)

**Secondary industrial regions:** states and regions that have been intensely developing and urbanizing in recent decades; typically represent more semi-peripheral economies (e.g., Mexico, Brazil, South Africa, Egypt, India, Australia,...).

**First-round industrialization (up to WWI):** England had a *comparative advantage* with the rest of the world (e.g., natural resources, cheap labor, ports, ...) and began industrializing with textiles; industrialization diffused into Western Europe and into the United States; the industrialized nations engage in *imperialism*, seeking out new regions for resources and markets for their goods.

**Mass production: (assembly line production/Fordism)** industrial arrangement of machines, equipment, and workers for continuous flow of work pieces in mass production operations, each movement of material is made as simple and short as possible. Important because it allowed for goods to be produced at a rate comparable to the demand for many of those products, made for more efficient manufacturing industries.

**Mid-twentieth century industrialization:** after WWII the US became the strongest industrial nation (**NAMIB** (North American manufacturing belt)) with the USSR as the other superpower; oil & natural gas rose to become virtually the most important resources driving the industrialized world; Japan rises to a major industrial power (initially due to its cheap labor).

**Late twentieth century industrialization & beyond:** the four primary industrial zones are still dominant, however, secondary industrial regions are making great strides; many developed economies have been expanding into tertiary, quaternary and quinary activities – diverting (or outsourcing) more manufacturing to other regions (e.g., China, India, Four Tigers, Thailand, Malaysia, Indonesia, Vietnam, ...).

**Lean production: (lean manufacturing/Toyotism)** production that is centered around creating *more value with less work*; using modern transportation, efficiency is maximized by obtaining components and parts through *just-in-time delivery* from varying competing companies around the world (as opposed to keeping large stockpiles in warehouses as in mass production); this is largely a system pioneered by the Toyota Motor Corporation (can also be described as flexible accumulation (of components)).

**Global (New international) division of labor:** phenomenon whereby corporations and others can draw from labor markets around the world; made possible through improvements in communication and transportation systems (resulting in *time-space compression*)

**Outsourcing** (turning over production in part or in total) to another firm or business outside of the country (**offshoring** - specifically refers to moving production *overseas* (e.g., China)).

**NIMBYism:** NIMBY is an acronym for "not in my backyard;" it's used to describe opposition by residents to a proposal for a new development close to them. Examples may include, but are not limited to tall buildings, wind turbines, landfills, incinerators, power plants, prisons, mobile telephone network masts, and especially transportation improvements (e.g. new roads, passenger railways or highways).

**Deindustrialization:** process where the companies move industrial jobs to other regions (typically with cheaper labor), leaving the newly deindustrialized region to switch to a service economy and work through a period of high unemployment. (e.g., the US "*Rustbelt*"; Northeastern China).

**Special Economic Zone: (SEZ)** specific area within a country in which tax and investment incentives are implemented to attract foreign (and domestic) businesses and investment.

-**Export processing zone: (EPZ)** established by many countries in the periphery and semi-periphery where they offer favorable tax, regulatory, and trade arrangements to attract business and investment (labor is cheaper and environmental restrictions are relatively weak).

-**Maquiladora:** an EPZ in northern Mexico with factories supplying manufactured goods to the US market; primarily foreign-owned factories that assemble imported components (or raw materials) and export finished goods.

-**High technology corridor: (technopolis)** areas devoted to research, development, and sale of high technology products; the networking and synergistic advantages of concentrating in these areas (with good universities and infrastructure) facilitate modern technological innovation (e.g., Silicon Valley, Boston).

**Vertical integration:** ownership by the same firm of a number of companies that exist along a variety of points on a commodity chain (e.g., Perdue Farms).

**Horizontal integration:** ownership by the same firm of a number of companies that exist at the same point on a commodity chain (e.g., PepsiCo owns Gatorade, Frito-Lay, Quaker, ... YUM! owns Taco Bell, KFC, A&W, ...).

**Synergy:** is the cross promotion of vertically integrated goods & services (e.g., Magic Kingdom - Frontierland Fries – hosted by McDonald's, Mickey's PhilharMagic – presented by Kodak ...).

**Gatekeepers:** people or companies who control access to information (e.g., CNN, Wall Street Journal, Fox News, Al-Jazeera, ...).