Chapter 7 – Supplemental Information

Slides 2 and 4 detail some additional information on aspects of development.

First, make sure you’ve read through Chapter 7 on global development!

Then… read carefully through the list in Slide 2, and think about what it tells you about global development and the distribution of wealth.

WEALTH

- - - - - - - - - IN BILLIONS - - - - - - - - -

1 United States 10,171
2 Japan 4,245
3 Germany
1,873
4 United Kingdom 1,406
5 France 1,302
6 China 1,159
7 Italy 1,090
8 Canada 677
9 Mexico 617
10 Spain 577
11 Brazil 502
12 India 477
13 Korea, Rep. 422
14 Netherlands 374
15 Australia
368
16 Russian Fed 309
17 Argentina 268
18 Switzerland 247
19 Belgium
227
20 WalMart

21 Sweden 210
22 Exxon Mobil 191
23 Austria 188
24 General Motors 177
25 Poland 174
26 BP 174
27 Saudi Arabia 173
28 Norway 165
29 Denmark 162
30 Ford Motor 162
31 Turkey 147
32 Indonesia 145
33 Enron 138
34 DaimlerChrysler 136
35 R Dutch Shell 135
36 General Electric 125
37 Venezuela, RB 124
38 Finland 121
39 Toyota Motor 120
40 Iran, Islamic Re 118
41 Greece 116
→ BP (FDI in US) 84

1 Carlos Slim Helu 69
2 Bill Gates 62
57 Algeria 53
58 Morocco 51
59 Vietnam 50
60 Slovakia 46
3 Warren Buffet 44
4 Bernard Arnault 41
5 Armancio Ortega 38
61 Libya 38
6 Lawrence Ellison36
62 Qatar 37
7 Eike Batista 30
8 Stefan Persson 26
9 Li Ka-Shing 26
10 Karl Albrecht 25
11 Christy Walton 25
12 Charles Koch 25
13 David Koch 25
14 Sheldon Adelson25
15 L Bettencourt 24
16 Jim Walton 24
17 Alice Walton 23
18 S R Walton 23
78 Sri Lanka 23

The Global Distribution of Wealth

Some of the information on this slide is dated, but there is a reason why I still use this…

1) Note that the annual revenues of many multinational corporations are considerably larger than not just many, but most countries' gross national products. The economic power of these large companies that operate on the global scale often allows them to demand certain advantages- low wages, few benefits, etc. Many countries cannot afford to fight big companies, as they can often take their money… and their jobs… somewhere else. A new phenomenon that been recognized in the past 10-20 years is referred to as the "footloose industry." This refers to the ability of many kinds of production to be disassembled, moved, and set up in another location relatively easily, making the threat to move one's business to another country that will look upon your company more favorable all the more believable.
2) Second… note also that there are number of people whose own personal wealth is greater than more that a third of the world's <u>nation's</u> gross national product. Look carefully at the names in the list… with only a few exception among the wealthiest of the wealthy, these people live in the "core countries" of the global economy (US, Canada, Western Europe, Japan). Even the number of uber-wealthy people from countries with rapidly growing economies (such as India or China) or countries with enormous natural resource reserves (mainly oil-producing countries) is really a small fraction of that group. What does this say about the global distribution of wealth? [Consider that "wealth" in this case may not refer just to money, but also the control of what is produced, how it is produced, where it is produced, and who controls the world's flows of finance and information… the adage "knowledge is power" is not a myth!)

After you've thought on this a bit, look at Slide 4!

(Email me if you have questions!!! ramey@bridgew.edu)

WHAT IS THE GENUINE PROGRESS INDICATOR?

The Genuine Progress Indicator (GPI) is a new measure of the economic well-being of the nation from 1950 to present. It broadens the conventional accounting framework to include the economic contributions of the family and community realms, and of the natural habitat, along with conventionally measured economic production.

1) Resource Depletion

2) Pollution

3) Income Distribution

4) Changes in Leisure Time

5) Housework & Non-Market Transactions

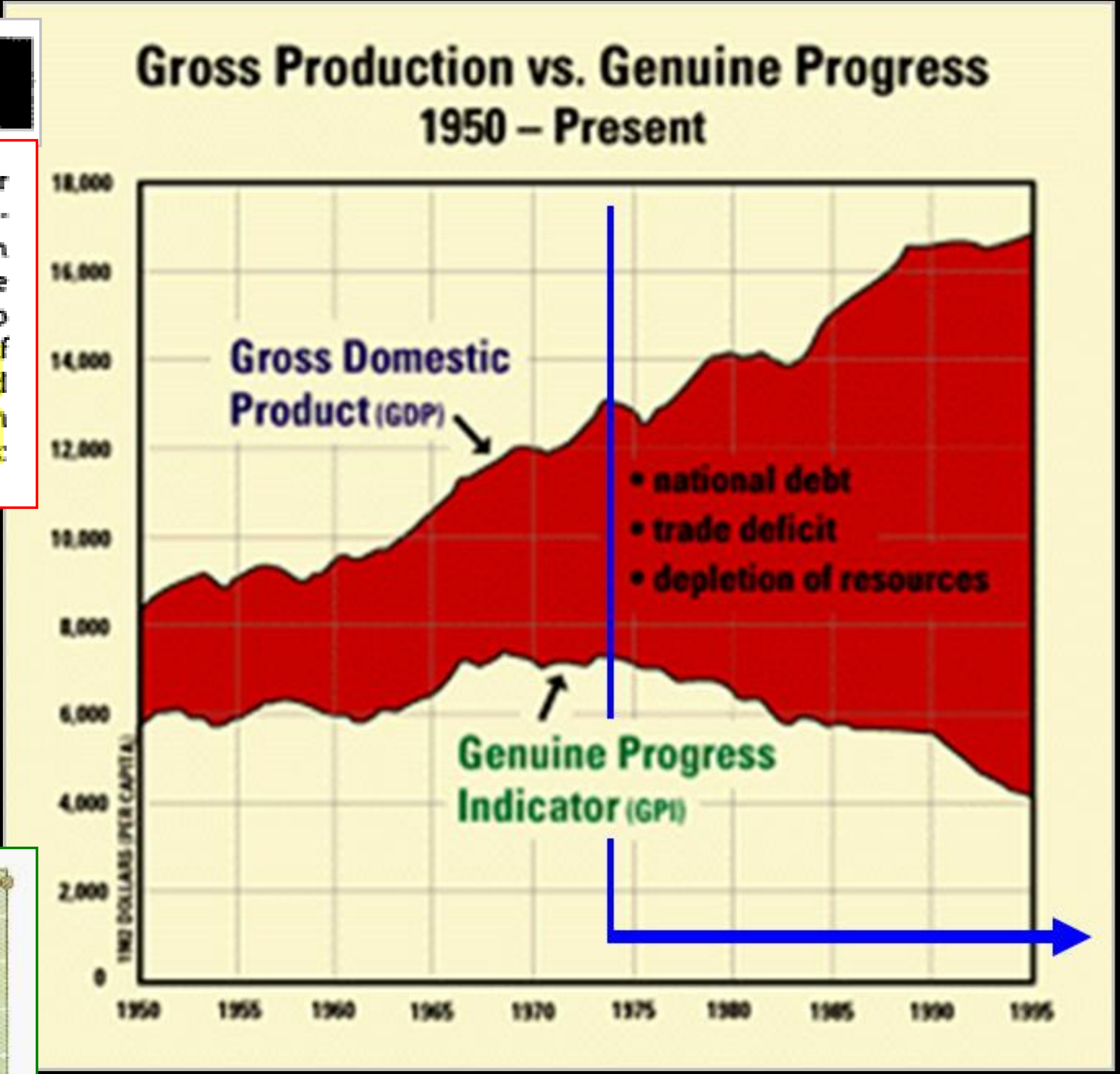
6) Unemployment & Underemployment

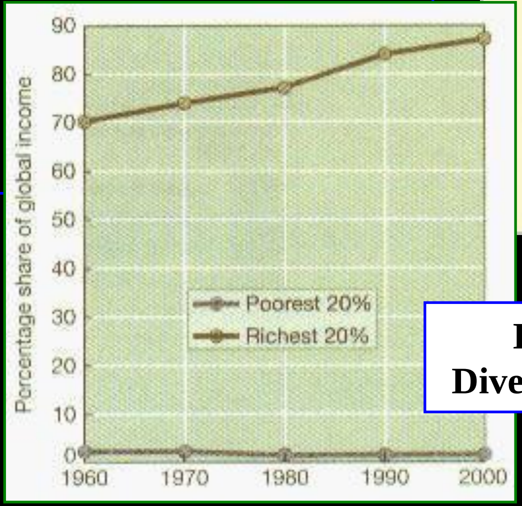
7) Long-Term Environmental Damage

8) Life-Span of Consumer Durables & Infrastructure

9) Defensive Expenditures

10) Sustainable Investments





Income Divergence

Measuring Wealth (economic indicators) and Quality of Life (human welfare indicators)

Look back for a few minutes at all the info on Slide 4. The book give us some information ab out the ways in which we measure how well we are doing economically or how well we are taking care of our people.

There is also a body of thought that says that neither of these types of indicators by themselves give us a complete picture, even if we are using some of both kinds. A number of theorists have proposed "combined indicators" – a way of using both economic indicators and human welfare indicators together to tell us how well we are doing overall. The Genuine Progress Indicator shown in Slide 4 is one such comparative, combined indicator. Note the 10 items listed… these detail different aspects of one's economy, one's standard of living, our commitment to preserving the environment and other ways of looking at important issues at individual, community and national scales, and at long-term concerns.

While it might not seem immediately obvious, the idea of having "leisure time" tells us a lot about a society. If your economy is not as developed in areas such as manufacturing and technology but instead the majority of your labor force is still engaged in farming… then most of your labor force (and most of your population) is very likely to have little or no free time to pursue personal interests. Very little money moves around in these economies. These societies tend to be operating at a "subsistence level" – that is, feeding the family and maybe the community, but unable to produce any sort of surplus that could be sold outside the immediate area that would bring money into the region, allow some farmers to invest in machinery that frees other people up to do something else (because you now need fewer people to produce both the amount of food to feed the local population as well as create a surplus that could be sold)… and as a result, many of these societies tend to less innovative, which keeps them locked into their status.

One thing notable here… if you use these measures for the US over the past 50 years or so, the story that the Genuine Progress might tell us is very different from the one that just measuring the Gross Domestic Product would describe.

Last… the idea of "income divergence" … the core countries (the most developed) have been able to consistently increase their wealth, often at the expense of the less developed countries. Most studies show that there has been very little real progress in the accumulation of wealth among the world's poorest nations, while the wealthier have become richer.