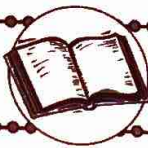


STUDY GUIDE



Chapter 20, Section 1

For use with textbook pages 517–521

C H A R A C T E R I S T I C S O F D E V E L O P I N G N A T I O N S

KEY TERMS

developed nations Nations with relatively high standards of living and economies based more on industry than agriculture (page 518)

developing nations Nations with little industrial development and low standards of living (page 518)

subsistence agriculture Growing just enough food by a family to take care of its own needs. No crops are available for export or to feed an industrial workforce (page 519)

infant mortality rate Death rate of infants who die during the first year of life (page 520)

DRAWING FROM EXPERIENCE

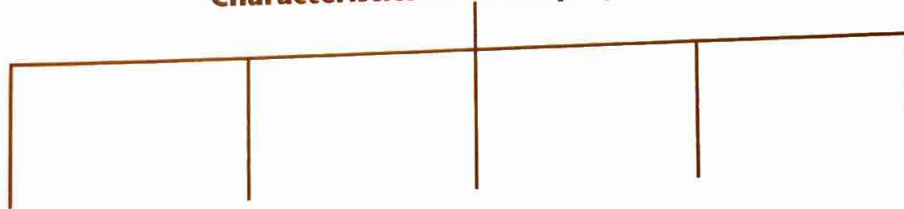
When someone asks you to think about a developing country, what images come to mind? How do you think people live in developing countries? Do all people within a developing country have the same standard of living? Are there any similarities between the way that people live in a developing country and the U.S.?

In this section you will learn how developing nations use foreign investment and aid to move through the three stages of economic development.

ORGANIZING YOUR THOUGHTS

Use the diagram below to help you take notes as you read the summaries that follow. Think about the economic characteristics of developing nations.

Characteristics of Developing Nations



READ TO LEARN

■ **Developed vs. Developing Nations** (page 518)

Of the more than 192 nations in the world, only about 35 are considered developed nations. Most of the world's population lives in developing nations. These nations have relatively low standards of living and are less developed industrially. Developing nations differ in many ways. Income levels between countries vary greatly. Great differences in standards of living also exist within developing nations. India's urban population lives much like people in developed nations, but some of its rural population may not have enough to eat.

1. Are all developing nations alike? Why or why not?
-
-

■ **Economic Characteristics** (page 519)

Developing nations generally share five characteristics.

1. *Low GDP* Developing nations may have many natural and human resources, but they lack the equipment, financing, and knowledge necessary to put those resources to use.
 2. *An Agricultural Economy* Agriculture is central to the economies of developing nations. Most of the population exists through subsistence agriculture. Each family grows just enough food to take care of its own needs. Consequently, no crops are available for export or to feed an industrial workforce.
 3. *Poor Health Conditions* Developing nations suffer from a shortage of modern doctors, hospitals, and medicines. Many people die from malnutrition or illness due to lack of food. Low life expectancy for adults and high infant mortality rates are common. Infant mortality rates measure the number of infants that die during their first year of life.
 4. *Low Literacy Rate* Relatively few people in developing nations can read or write. Governments lack resources to build and maintain schools. Children miss school to help their families farm. A poorly educated workforce is difficult to train for needed technical and engineering jobs.
 5. *Rapid Population Growth* Overpopulation is the source of serious problems, such as a shortage of food and housing. Populations in developing nations sometimes grow as much as four times the rate of developed nations.
2. Which of these five characteristics do you think is the most threatening to a developing nation's standard of living? Why?
-
-
-

■ **Weak Property Rights** (page 521)

Weak property rights hinder development. Without defined private property rights, individuals cannot exchange land. Consequently, large-scale farming does not develop. Peasant families have little incentive to improve the value of the property on which they farm.

3. Why do weak property rights hinder development?
-
-



THE PROCESS OF ECONOMIC DEVELOPMENT

KEY TERMS

nationalization A process where government takes over ownership of railroads, businesses, or other industries (page 525)

foreign aid Money, goods, and services given by governments and private organizations to help other nations and their citizens (page 525)

economic assistance Loans and outright grants of money to other nations to add to their capital resources (page 525)

technical assistance Aid supplied by nations to teach skills to individuals in other nations. Professionals, such as engineers, teachers, and technicians, usually provide this assistance (page 525)

military assistance Economic or technical aid given to a nation's armed forces (page 525)

DRAWING FROM EXPERIENCE

What can you do if you need more money? In what ways can you obtain money?

In this section, you will learn how developing nations use foreign investment and aid to move through the three stages of economic development.

ORGANIZING YOUR THOUGHTS

Use the diagram below to help you take notes as you read the summaries that follow. Think about why nations give foreign aid.

The Process of Obtaining Aid for Development



READ TO LEARN

Financing Economic Development (page 524)

Economic development passes through the three stages of agricultural, industrial, and service sector development. Usually, developing nations cannot finance economic growth from dome

STUDY GUIDE (continued)

Chapter 20, Section 2

savings. People living in traditional economies do not engage in the type of savings that provide a pool of financial capital from which businesses can borrow for investment. Developing nations seek outside sources of capital from two general sources.

- A. **Foreign Investment** Investors are attracted to developing countries because of their low wages, few regulations, and abundant raw materials. Political instability and the threat of nationalization are serious risks. **Nationalization** is a practice among developing nations of taking control of private firms.
 - B. **Foreign Aid** Foreign aid is the money goods and services given by governments and private organizations to help other nations. **Economic assistance** in the form of loans and outright grants has played an increasingly important role in economic development. **Technical assistance** strengthens a nation's human resources by providing professions, such as engineers, teachers, and consultants to teach skills. **Military assistance** involves giving either economic or technical assistance to a nation's armed forces. Emergency aid is not directed at development. It provides food, clothing, and medical supplies to victims of disasters.
1. What are the two general sources of outside capital that developing nations seek?

Who Supplies Foreign Aid (page 526)

Several developed nations and international organizations offer foreign aid. After World War II, the U.S. devoted most of its foreign aid to rebuilding Europe's war-torn economies. Today, most U.S. foreign aid is sent to developing nations in the Middle East and Southeast Asia. When foreign aid is viewed as a percentage of GDP, the U.S. provides a fraction of what many other nations give. Organizations like the U.S. Agency for International Development and the International Bank for Reconstruction and Development, also called the World Bank, help to distribute foreign aid. Developing nations sometimes find themselves unable to repay their foreign debt. Forty nations owe nearly \$127 billion to the IMF and World Bank.

2. Why are some international aid organizations concerned about foreign debt?

Reasons for Giving Foreign Aid (page 527)

Governments and private agencies provide aid for four basic reasons.

1. **Humanitarianism** The relief of human suffering is a major goal of many private organizations.
 2. **Economics** It is usually in the best interest of developed counties to encourage international trade. Foreign aid provides markets for exports and investment opportunities.
 3. **Politics** Foreign aid builds political friends and broadens the appeal of some government forms.
 4. **Protect a nation's security** Economic aid is often a down payment on a military alliance.
3. Why do nations give foreign aid?

II. Overcoming Obstacles to Development

➔ Find Out

How a country uses its resources is critical to its level of development. Using the factors of production efficiently can fuel economic growth. However, using them inefficiently hurts development. Analyze development in these three hypothetical countries.

Oil Kingdom

- oil runs out in 2020
- exports more than imports
- little farmland; scarce water resources
- per capita income is \$3,000/person
- literacy rate: males 60%; females 25%

Farmland Nation

- few energy resources
- imports more than exports
- productive rice farms; flooding a yearly risk
- per capita income is \$1,000/person
- literacy rate: males 30%; females 30%

Tourist Republic

- few energy resources
- imports more than exports
- scenic beaches; few farms; scarce water resources
- per capita income is \$1,500/person
- literacy rate: males 75%; females 70%

A. What is the biggest challenge facing each country, and why?

Oil Kingdom _____

Farmland Nation _____

Tourist Republic _____

What Do You Think?

B. Choose one of the hypothetical countries above. Based on the information in the chart, outline a three-step plan for how you think it could improve its economic development.

Step 1 _____

Step 2 _____

Step 3 _____

C. Many people around the world are subsistence farmers, barely able to feed themselves and their families. What do you think a country could do to improve its farm production?
