

**MDCs are in stage 4 or 5**  
**LDCs are in either stage 1, 2 or 3.**

# **Rostow's Development Model**

## **Step 1: The Traditional Society**

- *A traditional society that has not yet started a process of development.*
- *High percentage of people are involved with agriculture and a high percentage of the country's wealth is invested in "nonproductive" activities such as the military and religion*
- *Not technologically or scientifically advanced.*

# **Rostow's Development Model**

## **Step 2: The Preconditions For Takeoff**

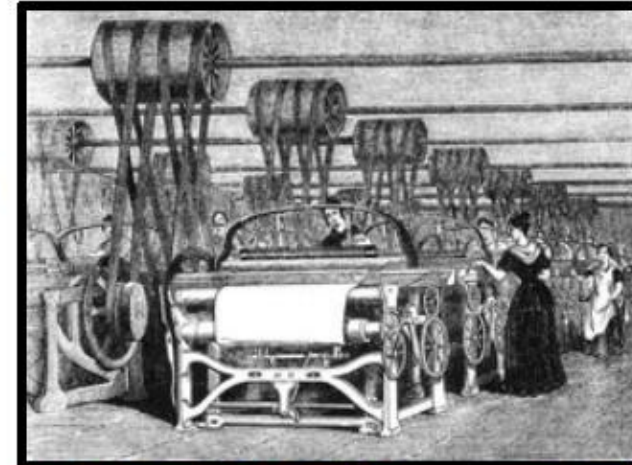
- *The process of development begins when an elite group initiates innovations economic activities. Under the influence of these well-educated leaders, the country starts to invest in new technology and infrastructure, such as water supplies and transportation systems.*
- *These projects increase productivity and increase GDP.*
- *Increased specialization generates surpluses for trading. There is an emergence of a transport infrastructure to support trade. External trade also*



# Rostow's Development Model

## Step 3: The Take Off

- *A short period of intensive growth, in which industrialization begins to occur, and workers and institutions become concentrated around a new industry.*
- *Textiles (cloth/fabric) are usually the first "take-off" industry, as happened in Great Britain's Industrial Revolution.*



# Rostow's Development Model

## Step 4: The Drive To Maturity

- *This stage takes place over a long period of time, as standards of living rise, use of technology increases, and the national economy grows and diversifies.*
- *Modern technology, previously confined to a few takeoff industries, diffuses to a wide variety of industries, which then experience rapid growth comparable to the takeoff industries.*
- *Workers become more skilled and specialized. The economy is producing a wide range of goods*



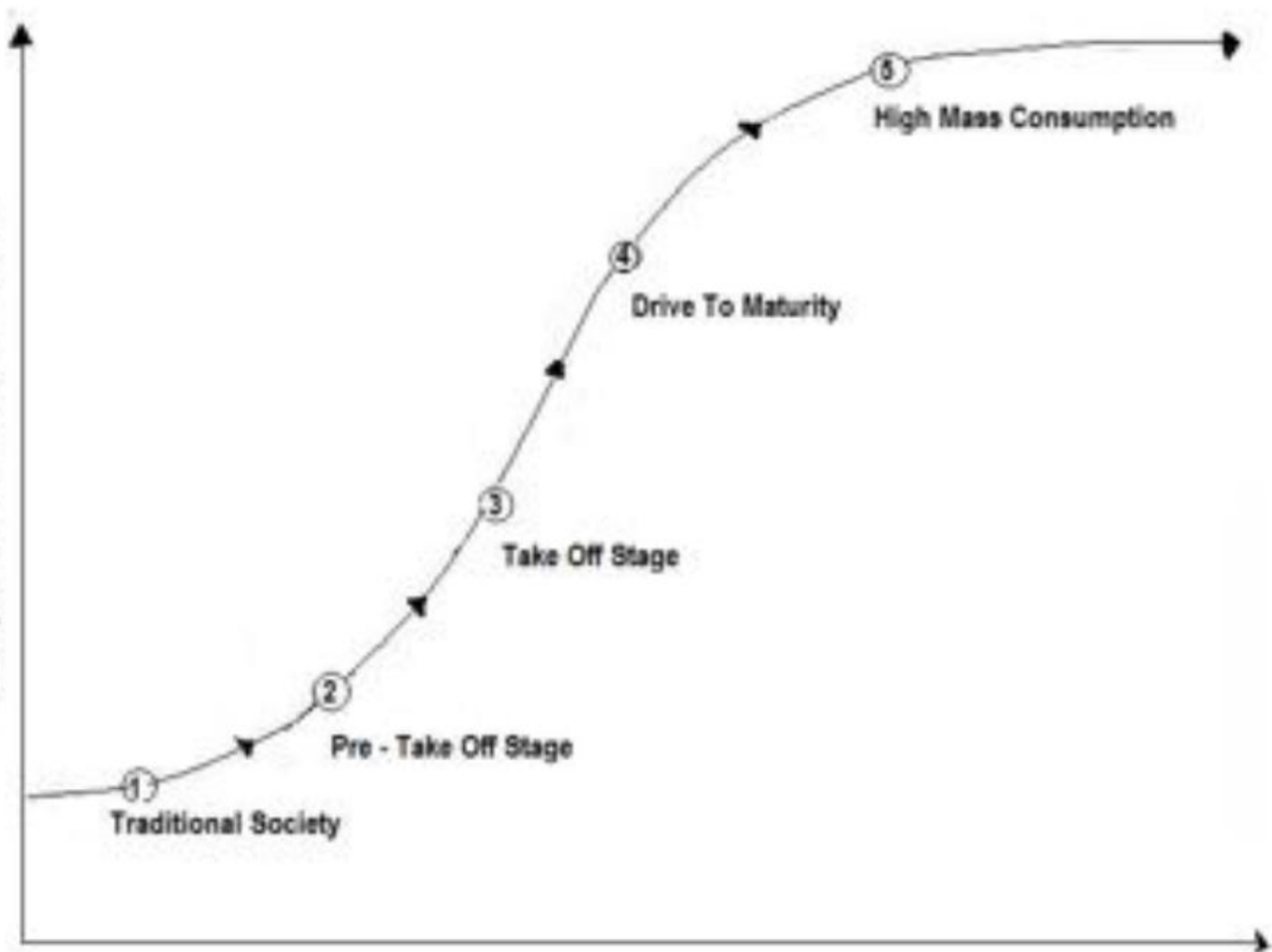
# Rostow's Development Model

## Step 5: The Age Of Mass Consumption

- *The economy shifts from production of heavy industry (steel) to consumer goods (cars, refrigerators, TVs, etc.)*
- *Personal incomes are high and abundant goods and services are readily available.*



Savings and investment in industry

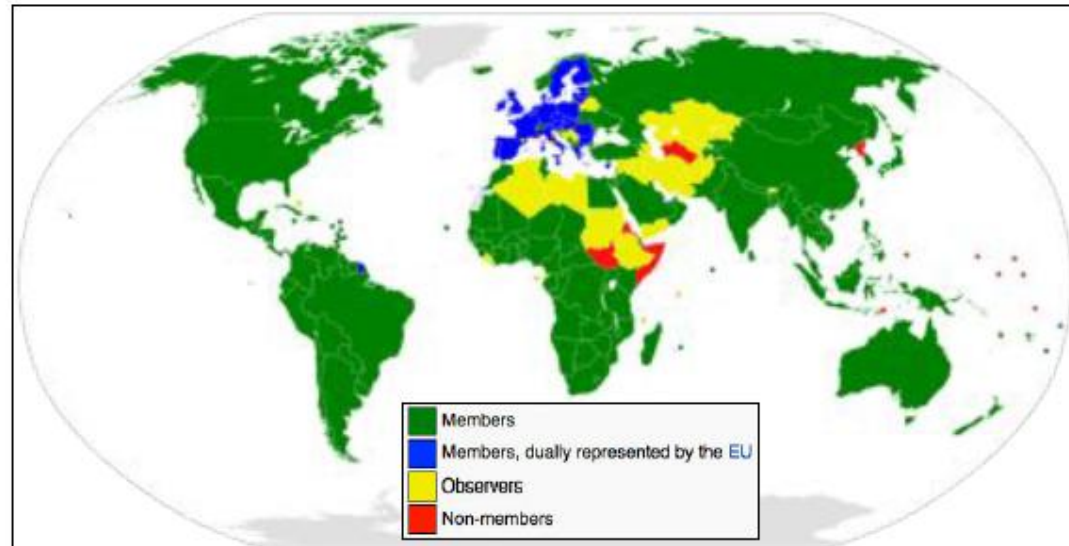




# World Trade Organization (WTO)

- The **World Trade Organization (WTO)** was founded in 1995 (replacing the 1948 General Agreement on Tariffs and Trade (GATT)).
- The WTO's objective is to supervise and open international trade.

**The WTO has 159 member states**





# WTO Opponents

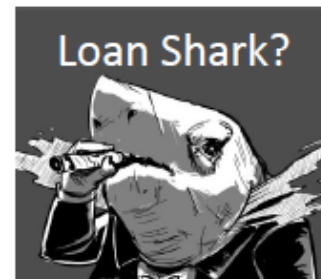
- The WTO has been sharply attacked by liberal and conservative critics.
- Liberal critics charge that the WTO is antidemocratic, because decisions made behind closed doors promote the interest of large corporations rather than the poor.
- Conservatives charge that the WTO compromises the power and sovereignty of individual countries because it can order changes in taxes and laws that it considers unfair trading practices.
- Protesters routinely gather in the streets outside high-level meetings of the WTO.





# The World Bank

- The **World Bank** is an international financial institution that provides loans to developing countries for capital programs.
- The World Bank's official goal is the reduction of poverty. According to the World Bank's Articles of Agreement all of its decisions must be guided by a commitment to:
  1. *Promote foreign investment*
  2. *Promote International trade*
  - 3 *Facilitate capital investment*





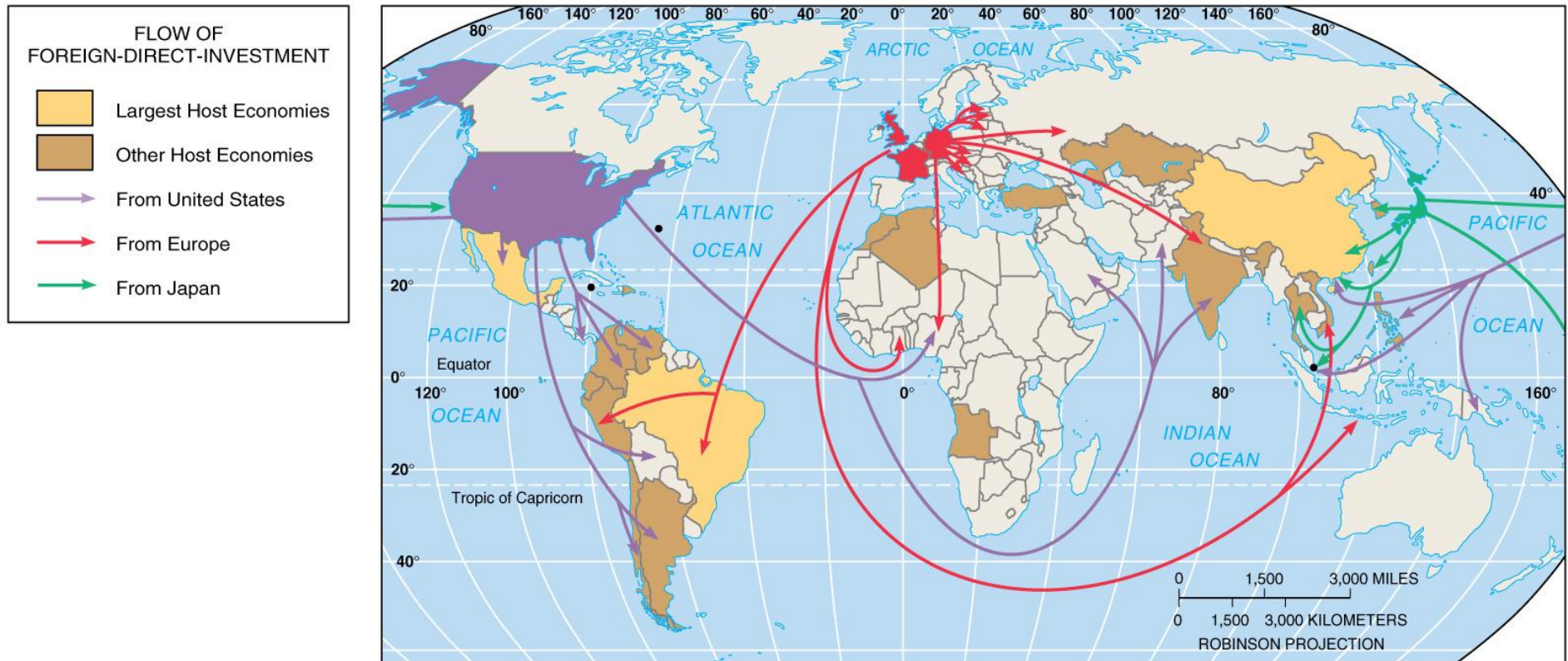
# International Monetary Fund (IMF)

- *Formed in 1945, The IMF's stated goal was to stabilize exchange rates and assist the reconstruction of the world's international payment system post-World War II.*
- *Countries contribute money to a pool through a quota system from which countries with payment imbalances can borrow funds temporarily.*
- *The IMF describes itself as “an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.”*
- *The IMF's headquarters is in Washington, D.C.*





# Foreign Investment Flows



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Fig. 9-21: Three-quarters of foreign investment flows from one MDC to another. Only one-quarter goes from an MDC to an LDC.

Fair Trade

\$7.49

\$5.99







# What is FAIR TRADE?

- *Fair Trade is a system of exchange that honors producers, communities, consumers, and the environment. It is a model for the global economy rooted in people-to-people connections, justice, and sustainability.*

FAIR?

