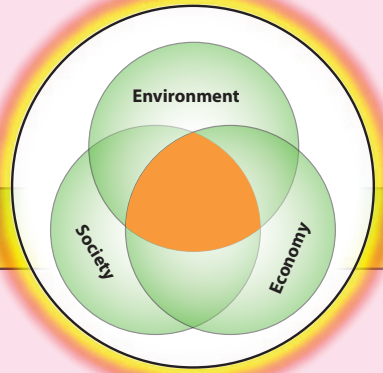


# Unit 4



## ECONOMIC SYSTEM AND DEVELOPMENT

### Unit Outcomes

*After completing this unit, you will be able to:*

- 🌐 Recognize types of economic systems;
- 🌐 State the concept of sustainable development and its indicators;
- 🌐 Recognize the role and contribution of economic organization and realize the concept of globalization.

### Main Contents

- 4.1 TYPES OF ECONOMIC SYSTEMS
- 4.2 SUSTAINABLE ECONOMIC DEVELOPMENT
- 4.3 ECONOMIC ORGANIZATIONS OF THE WORLD

⇒ *Unit Summary*

⇒ *Review Exercise*



## INTRODUCTION



As you remember, in grade nine you learnt about the five major economic activities (primary, secondary, tertiary, quaternary and quinary) with their associated characteristics.

In this unit you will read about the three major categories of economic systems of the world and issues related to sustainable economic development.

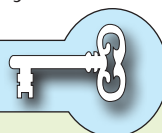
You will also examine the role and functions of world economic organizations such as the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO). The concept and the various impacts of globalization will also be treated.





### 4.1 TYPES OF ECONOMIC SYSTEMS

*At the end of this section, you will be able to:*

-  Discuss the concept of different economic systems;
-  Compare and contrast the types of economic systems.

#### Key Terms



-  Traditional economy
-  Mixed economy
-  Market economy
-  Command economy

A major change occurred about 10,000 years ago, when people began to produce crops and to domesticate animals. This advance led to increased food supplies.

#### Start-up Activity

Discuss the following questions in your group.

- 1 Why have different countries of the world followed different types of economic systems?
- 2 Which economic system is currently used for Ethiopia's economy? Why?
- 3 What factors affect the economic decisions of a society? Mention some of them and describe their roles in your locality's economic affairs.

### *What is an economic system?*

An economic system is the means or structures in a society within which decisions about what to produce, how and when to produce goods and services and where to allocate them are made and implemented.

The way a society makes economic decisions may closely reflect the pattern of its culture. It also tells about the society's politics, religion, and even its approach to family.

To achieve economic growth and development, different countries use different approaches or systems. That means economic problems can be solved in various ways. Here are the major economic systems practiced in the world:

- ➔ Traditional economic system
- ➔ Free market economic system
- ➔ Command economic system
- ➔ Mixed economic system

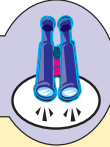
## **Traditional Economy**

*What are traditional economies? Can you cite a primitive people who still live in traditional economies (especially in Africa)? Do we have such communities in Ethiopia? What are the basic features of a traditional economy?*

It is an economic system in which primitive people produce just to feed their households with very little goods or services left over for sale or exchange in the market. Production is geared towards subsistence and basic survival. The system employs simple, backward and traditional means (techniques) in the process of food production.

Market and money are of little importance, and trade is mainly by a barter system. Thus, exchange of goods is limited. Answers to the “for whom” and “how much” questions are fixed by custom, habit, religion, or law in traditional cultures. *Example*, the Bushmen of the Kalahari Desert have rules for sharing their kills among the hunters and their families. The largest share usually goes to the best hunter. In this way, the best hunters survive when games are secured.

## Focus



Traditional economic systems are practiced in extremely backward areas or primitive societies like hunters and gatherers. Generally, it is characterized by:

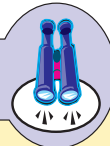
- ⇒ *lack of knowledge of science and technology,*
- ⇒ *low productivity.*
- ⇒ *a low level of exchange of goods.*

## Market Economy

*What is market economy? What is the role of the government in a market economy? How is market economy different from traditional economy? What are the weak and strong sides of market economy?*

Market economy is an economic system in which individuals, rather than government, make the main decisions regarding economic activities and transactions. Individuals are free to make economic decisions concerning their employment, how to use or accumulate capital, what expenditures to make, and whether to use their resources now or to save them for later consumption.

## Focus



In a market economy, the basic economic questions are answered by the interplay of buyers and sellers. There is no overall planning, as there is with command economic systems. The guiding principle of market systems is self-interest. Sellers want to sell at the highest prices. Buyers want to buy at the lowest prices. The bargains that buyers and sellers make, therefore, give the answers to the questions.

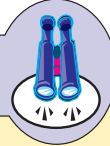
It is important to know that there is no pure free-market economy in the world. Governments interfere in organizing market economy in many ways and for many reasons. Most governments play an important role in dealing with problems of inflation and employment. They are also concerned with providing education for the society, strengthening national defense, controlling prices of power supply and food, and imposing taxes.

The main proponents of free-market economies believe and forward a number of advantages of free market economies, such as encouraging individual

responsibility for decisions. They also believe that economic freedom is essential to political freedom.

Free-market economies are also criticized. Opponents believe that a free-market economy cannot ensure basic social values such as alleviating poverty or ensuring equitable income distribution. It may also permit the accumulation of wealth and strong vested interests that could threaten the survival of political freedom.

## Focus



Generally, market economy is characterized by:

- ⇒ *private property.*
- ⇒ *economic freedom.*
- ⇒ *prices that are determined by the law of supply and demand.*
- ⇒ *decentralized decision making.*

## Command Economy

*What does “command economy” mean? Which countries of the world still follow command economic systems? What are the unique features of command economy?*

In a command economy, the government makes decisions about production and consumption. This implies that the government decides what to produce, how to produce and for whom to produce. Also the governments own all factories, land, housing, etc.

## Focus



The command economic system still exists in some countries, such as North Korea, Cuba and China. It is characterized by:

- ⇒ *a master plan for supply and price.*
- ⇒ *the government develops and enforces plans.*
- ⇒ *goods and services are distributed through government agencies.*

State ownership of resources actually reduces personal incentive, effort and initiative. At best, in a command economic system, the basic economic questions are answered by a group of planners. They have the power to make economic decisions for the society as a whole. However, this type of economy is fading away in the world.

## Mixed Economy

*What are the roles of government and private sectors in mixed economic system?*

In this type of economic system, both government and private sectors play an important role in answering the “what”, “how’ and “for whom” questions concerning society as a whole.

In the mixed system, the government may not only own and run key industries, means of transport, power, and water supply, etc., but it also intervenes to prevent monopolies and ensure free competition. In addition, it might influence prices of agricultural products, rather than allowing them to be influenced by market forces. It might also offer incentives (tax relief, grants, exemptions or penalties) to encourage particular activities (e.g., tree planting).

Most countries of the world have mixed economies (for example, France and Sweden). Some are close to command economy while others rely more on market economy. In a mixed economy, there is competition between the government and the private sectors. Sometimes, those that are unable to compete soon die away.

### Focus



Traditional economic systems make decisions the way they have always been made in the past. Command systems permit a group of planners to answer the basic economic questions. Market systems rely on exchange and a network of prices to determine issues of *what, how, for whom, and how much*, while mixed economy is characterized partly by free-market.

### Activity 4.1





Discuss the following in your group. Then present your findings to the class.









- 1 What are the advantages and disadvantages of free-market economy in the context of Ethiopia?
- 2 Compare and contrast the role of the government in Ethiopia’s economy before 1991 and after 1991 (i.e., the economic policies of the “Derg” and of the current government). What improvements did you observe? Why? Support your answer with evidence from your locality.
- 3 Do you think that Ethiopia strictly follows free-market economy these days? Why?

## 4.2 SUSTAINABLE ECONOMIC DEVELOPMENT

At the end of this section, you will be able to:

-  Explain the concept of sustainable economic development;
-  Justify the indicators of economic development.

### Key Terms

-  sustainable development
-  environment
-  gross domestic product
-  gross national product
-  developed countries
-  per capita income
-  standard of living
-  developing countries

### Activity 4.2

Discuss the following in your group.

- 1 Why does Ethiopia lag behind rich countries in its standard of living?
- 2 How can Ethiopia catch up with the rich countries without endangering its environment?
- 3 What are the means for harmonizing the relationship between development and environment in your locality?
- 4 How do you relate fast economic development and global warming?

### Concept and Indicators of Economic Development

*What is development? How do you relate sustainability with development?  
What does sustainable development mean?*

Development is a difficult concept to define. The term *development* means different things to different people. Therefore, possible definitions include a wide range of elements (see **Figure 4.1**).

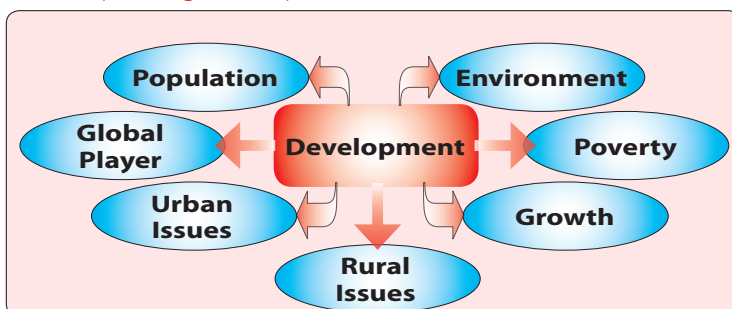
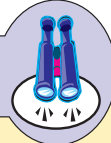


Figure 4.1: The Environment of development

*What do you understand from Figure 4.1? How do you relate development with the terms noted in each box of Figure 4.1?*

Despite the complexity of the issue, we have some definitions that can go well with the term *development*. Development is a process by which members of a society increase their personal and institutional capacities to mobilize and manage resources to produce sustainable improvements in their quality of life.

## Focus



The most recent definition of development: *Development* – represents the whole package of change by which an entire social system moves away from a condition of life perceived as unsatisfactory towards a situation or condition of life that is materially and spiritually better (Todaro and Smith, 2009: 16).

*What are the main points included in the definition? Can you explain them briefly? What are the main objectives of development in any society?*

Development in any society must have at least the following three objectives:

- a To increase the availability and widen the distribution of basic life-sustaining goods, such as food, shelter, health services and clothing.
- b To raise living standards and levels of income, employment, education and attention to cultural and human values.
- c To expand the range of economic and social choices.

*What should be done to accomplish the above objectives? Can you mention some of the efforts made in your locality?*

Generally, economic development strategies should give due attention to increasing the productive capacities of human wealth and the health of the environment. This is done by concentrating on the following:

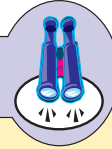
- i Making sure that the nation has a labor force that is ready to work, hardworking and energetic.
- ii Improving the skill and the ability of the working force.
- iii Ensuring the human labor force has adequate medical care (in order to maintain its productiveness).
- iv Improving the supply, multiplication and distribution of modern and environmentally friendly technology and other inputs.



In addition, in order to ensure sustainable development attention must be given to the environment.

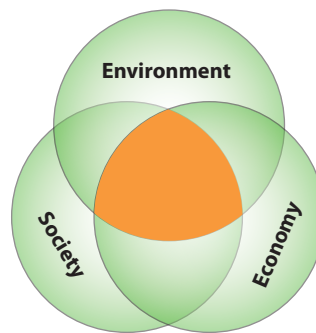
### *What does sustainable development mean?*

## Focus



According to the World Commission of Environment and Development (1987), “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

In other words, sustainability implies that future growth and overall quality of life are critically dependent on the quality of the environment. To destroy the environment in the pursuit of short-term economic goals, jeopardizes present and especially future generations. This is the level of extraction that could be maintained without lessening future levels.



**Figure 4.2: Components of sustainable development**

That is why sustainability is a current paradigm for thinking about a future in which environmental, societal and economic considerations are balanced in the pursuit of development and improved quality of life.

Sustainable development has three components, which are shown in **Figure 4.2**. The area of overlap (i.e., the intersecting and shaded part of the three circles at the center) represents human wellbeing. As the environment, society and economy become more aligned, the area of overlap increases, and so does human wellbeing.

Generally, in order to achieve sustainable development, environmental protection must constitute an integral part of the development process, and cannot be considered in isolation from it. Eradicating poverty and reducing disparities in living standards in different parts of the world are essential goals for achieving sustainable development and meeting the needs of the majority of people.

## Activity 4.3



Perform the following in your geography workgroup by citing examples from your locality:

- 1 Briefly describe how the following affect the working culture in Ethiopia:
  - i choice of jobs and considering one type of job inferior to the other.
  - ii lack of punctuality in working hours and holidays.
- 2 How can you improve and develop the habit of hard work in your locality?
- 3 Is it possible to achieve economic growth in your locality without damaging the environment? How?

## Indicators of Economic Development

*What are the tools used to measure development? How do we classify countries at different levels of development?*

Indicators of development are measures, to a certain level, of development in a given country.

The main indicators of development in the world include:

- ➔ GDP
- ➔ Per-capita income
- ➔ Standard of living

### Gross Domestic Product (GDP)

*What is the GDP?*

The GDP is a measure of the market value of commodities. It is the total value of currently produced final goods and services within a country's borders, usually in a year, irrespective of who owns the outputs.

In developing countries, the GDP is not only low, but it is also dominated by primary commodities. On the other hand, secondary and tertiary economic activities contribute the biggest shares to the GDP in the developed countries

### Per-Capita Income

*How can the per-capita income of a country be measured?*

It is another indicator of development. It is strongly related to the GDP. Of course, as a measure of peoples' quality of life it is indicative of their standard of living.

## Focus



The Gross National Product (GNP) is the total value of goods and services produced by a country in a year, including incomes secured from abroad, through varied activities.

You can calculate per-capita income, using the following formula:

$$\begin{aligned} \text{Per-capita income} &= \frac{\text{GDP}}{\text{Total Population}} \\ &= \frac{\text{GDP} \pm \left( \begin{array}{l} \text{Income secured from abroad} \\ - \text{income taken away by foreigners} \end{array} \right)}{\text{Total population}} \end{aligned}$$

### Example

Suppose gross domestic product (GDP) of a country for a given year is \$50 billion, total population is 25 million, income earned by foreigners from the domestic economy is \$100 million, and income earned by nationals from abroad is \$250 million. What is the percapita income for the country?

$$\begin{aligned} \text{Per capita Income} &= \frac{50 \text{ bill} \pm (250 \text{ mill} - 100 \text{ mill})}{25 \text{ mill}} \\ &= \frac{50 \text{ bill} \pm 150 \text{ mill}}{25 \text{ mill}} \\ &= \frac{50 \text{ bill} + 150 \text{ mill}}{25 \text{ mill}} \quad \left( \begin{array}{l} \text{you have to add them, because} \\ \text{income secured from abroad is} \\ \text{greater than income taken away} \\ \text{by foreigners} \end{array} \right) \\ &= \frac{50,150,000,000}{25,000,000} \\ \text{Per capita income} &= \$2006 \end{aligned}$$

In the same way as the GDP, per-capita income for developed countries is very high and growing. This is the result of ever-increasing GDPs that are based on diversified urban industrial and commercial economies. Developing countries, on the other hand, have low per-capita incomes, whose bases are primary economy that lack diversification.

## Standard of Living

### *Why is living standard considered the best measure of development?*

Living standard is perhaps the best measure of the quality of life of a given society. It is directly related to both the GDP and per-capita income. This is because, as the latter get higher, the former improves, and vice versa. Developed countries have high and constantly growing living standards, while people of the developing world are characterized by low living standards.

Based on the above and other indicators of development, countries of the world can be classified and named in different ways such as *rich/poor*, *developed/developing*, *north/south*, *first/second world*, and *more developed/less developed*. Also, using current development status as a criteria, they can be grouped as: *developed*, *less developed* and *least developed*.

### *How do you explain the economic improvement you observe in less developed countries like Ethiopia? What are the dominant economic activities that define each group of countries?*

The developed countries are the world's richest nations. This is because their economy is urban-based, industrial and specialized in commercial activities, supported by sophisticated technology and infrastructure (see Table 4.1). Less developed countries include the bulk of the world's countries, which are found in Africa, Latin America, and Asia. They have traditional economic systems, largely based on agriculture, mining or a combination of both.

**Table 4.1: The world's top 10 developed countries**

Country	GDP per-capita income (US\$) (1) (2008)	Adult literacy (%) (2)	Annual population growth rate (%) (3) (2009)	Life expectancy (years) (4) (2010)	Urban population (%) (4) (2010)
USA	46,108	99	0.6	78	79
Japan	38,591	99	0.19	83	86
France	44,121	99	0.56	81	77
Norway	94,505	99	0.34	81	80
Germany	44,394	99	-0.05	80	73
Canada	45,049	99	1.3	81	80
United Kingdom	43,149	99	0.47	80	80
Switzerland	65,167	99	1.1	82	73
Italy	38,302	98.9	-0.05	82	68
Sweden	52,236	100	0.48	81	84

**Source:** (1) UNCTAD Handbook of Statistics, UN; New York 2009; (2) UNDP Report 2009; (3) CIA world fact book 2009; (4) 2010 Population Reference Bureau.

The least developed countries, as their name implies, are the poorest nations of the world. By all standards, these countries have the most backward economic and social systems. Hence, mass poverty is a common feature of the majority of the populations of these countries (see Table 4.2).

**Table 4.2: The least developed countries of the world**

Country	GNP per capita in come (US\$) 2008 (1)	Adult literacy (%) 2009 (2)	Annual population growth rate (%) (3) 2009	Life expectancy (years) 2010 (4)	Urban population (%) (4) 2010
Afghanistan	425	28.1	2.6	44	22
Bangladesh	485	53.5	1.4	66	25
Benin	773	40.5	3.0	59	41
Burkina Faso	553	28.7	3.4	53	23
Bhutan	2025	52.8	1.5	50	15
Burundi	148	59.3	2.8	50	10
Central African Republic	464	48.6	1.9	49	38
Chad	817	30.8	2.07	49	27
Comoros	801	75.1	2.4	64	28
Ethiopia	261	35.9	2.6	55	16
Guinea	437	29.5	2.6	57	28
Guinea – Bissau	272	64.6	2.02	46	30
Haiti	849	62.1	1.6	61	48
Laos	849	68.7	1.8	65	27
Lesotho	755	82.2	0.8	41	23

## Activity 4.4







Perform the following activities in pairs and present your opinions to the class.

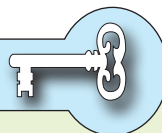
- 1 Compare and contrast Table 4.1 and Table 4.2 in relation to the prevailing socio-economic and demographic differences that exist between the developed and the least developed countries.
- 2 What measures can be taken to improve the development processes of the developing countries? What roles could be played by developed countries in this respect?
- 3 What new jobs have been created for the working population in your locality in the last 10 years? If none, why?









## 4.3 ECONOMIC ORGANIZATIONS OF THE WORLD

*At the end of this section, you will be able to:*

-  identify world economic organizations;
-  realize the contribution of world economic organizations to development;
-  discuss the concept of globalization;
-  compare and contrast the advantages and disadvantages of globalization.

### Key Terms



- |  |   |
|--|---|
|  World Bank                   |  WTO           |
|  IMF                          |  Globalization |
|  Structural adjustment        |  Deregulation  |
|  Intellectual property rights |  GATT          |

### 4.3.1 Economic Organizations of the World

*Can you name economic organizations that serve at a global level? How do they contribute to the economic development of nations across the world? What influences and pressures are created by these global organizations upon the developing countries?*

Three key institutions serve as economic organizations of the world. They are the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO). All three organizations trace their origins to the end of World War II (1939-1945), when the United States and the UK decided to set up new organizations and rules for the global economy. Since then, these three economic organizations have played a large role across the world. The following subsections highlight each of them.

#### World Bank

*What roles are played by the World Bank in developing countries? Can you cite some examples from Ethiopia?*

The World Bank is a specialized agency of the United Nations. It was established in 1944. It grants loans to member nations for the purpose of reconstruction and development. Officially, it is called the International Bank for Reconstruction and Development (IBRD).

The World Bank is the largest known private development bank. It operates internationally and has its headquarters in the United States in Washington, D.C. It makes large loans to governments of developing countries to finance projects intended to strengthen the economies of these nations. The World Bank finances projects such as building roads, dams for power generation, and industries. Beginning in 1968, the bank also focused on low-cost loans for health, education and other basic needs of the world's poor.

## International Monetary Fund (IMF)

### *What makes the IMF different from the World Bank?*

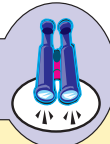
The IMF was established in the same year as the World Bank (1944) with the aims of encouraging exchange stability, eliminating exchange controls, promoting international monetary cooperation, and expanding world trade.

In other words, the IMF makes loans so that countries can maintain the values of their currencies and repay foreign debt. Countries accumulate foreign debt when they buy more from the rest of the world than they sell abroad. They then need to borrow money to pay the difference, which is known as balancing their payments. After banks and other institutions will no longer lend them money, they turn to the IMF to help them balance their payment positions with the rest of the world.

The IMF initially focused on Europe, but by the 1970's it changed its focus to the less developed economies.

*What preconditions do the World Bank and the IMF demand of developing countries before providing the aforementioned benefits? Do the demands favor the developing countries? Why?*

### Focus



Both the IMF and the World Bank usually impose certain conditions for loans and require what are called *structural adjustment programmes* from borrowers. The programs are based on a strategy that is geared towards promoting free markets, including privatization (the selling of government enterprises); deregulation (removing rules that restrict companies); and trade liberalization (opening local markets to foreign goods by removing barriers to exports and imports). Finally, the strategy also calls for shrinking the role of government, reducing taxes, and cutting back on publicly provided services.

## World Trade Organization (WTO)

*How does the WTO differ from the World Bank and the IMF? Do you support or oppose the WTO? Why?*

The World Trade Organization is an international body that promotes and enforces provision of trade laws and regulations. It has the authority to administer and put in place new and existing free trade agreements, to oversee world trade practices, and to settle trade disputes among member states.

### Focus



The WTO was established in 1994 to replace the General Agreement on Tariffs and Trade (GATT) and began its operation on January 1, 1995 in Geneva, Switzerland. Since then, the WTO has increased the scope of trading agreements. Today such agreements no longer involve only the trade of manufactured products but also involve services, investments and the protection of intellectual property rights (that is, creative works that can be protected legally), such as patents and copyrights. For example, the United States receives over half of its international income from patents and royalties for use of copyrighted material.

The WTO is also a formally structured organization whose rules are legally binding for its member states. The organization provides a framework for international trade law. Members can refer trade disputes to the WTO, where a dispute panel composed of WTO officials serves as arbitrator. Members can appeal to this panel's rulings to a WTO affiliated body whose decisions are final. Disputes must be resolved within the time limits set by WTO rules.

Since its creation, the WTO has attracted both supporters and opponents across the world. On the one hand, the opponents argue that:

- ⇒ *the organization is too powerful because it can declare the laws and regulations of sovereign nations in violation of trade rules, in effect pressuring nations to change these laws,*
- ⇒ *WTO trade rules do not sufficiently protect workers' rights, the environment, or human health,*
- ⇒ *It also lacks democratic accountability because its hearings on trade disputes are closed to the public, the press, etc.*



On the other hand, WTO supporters argue that it plays a critical role in helping expand world trade and raise living standards around the world.

Generally, the three key institutions that you have just learned about are considered the main actors or players who are shaping the current era of globalization.

### Activity 4.5



Discuss the following questions in your group.

- 1 Could Ethiopia benefit from the WTO, if it were one of the member states? Why?
- 2 How does the lack of strong enforcement of intellectual property rights laws adversely affect domestic trade in Ethiopia? Support your answer with examples.
- 3 What possible measures do you suggest to enforce the respect of copyrights in your locality?

## 4.3.2 Globalization

*What is globalization? How do the least developed countries benefit from globalization? What are the effects of globalization?*

Globalization is the process by which people their ideas and their activities (economic, cultural, political) in previously relatively separated parts of the world become interconnected, and are drawn to the same social space at the same historical time. It does not imply homogenization, or the elimination of regional differences or uneven development. It leads to increased ecological inter-dependence; and the global world economy is based particularly on the transnational movement of information and the mobile factors of production (capital, labour, technology).

It is said that globalization is a powerful force for poverty reduction, but billions of people in the world are still left out of this process. However, with the development of the present trend, it seems evident that the world will be truly a global village.

It must also be noted that there are continuing controversies and disputes over the value of globalization for the common good in society. Some argue that globalization works to the advantages of the leading industrialized countries of Europe and North America. They argue that a good deal of economic exchange takes place between regions rather than worldwide. For example, the European

Union countries mostly trade among themselves, while those of Asia or North America do the same thing. Therefore, there is no international trade that benefits the world community as a whole. And so, globalization adds more to the misery and despair of the already poor and underdeveloped nations, while increasing the wealth of the rich countries.

There are also others who have an opposite and positive view of globalization. These contenders argue that globalization is not only an economic phenomenon, as it affects all aspect of life. Therefore, they say, it is unavoidable. Because, according to them, the dramatic expansion of science and technology is interwoven with international relations among people of the world and no nation, whether poor or rich, can do away with globalization, but must adjust themselves to this new trend.

## The Advantages and Disadvantages of Globalization

### Advantages

*What advantages do you think globalization has for third-world countries?*

- 1 It creates new opportunities and benefits. For instance, currently some of the Western industrialized nations removed tariff restrictions and opened their markets for the products of third-world countries.
- 2 There are rules and principles by which globalization is governed. For example, some of the provisions require a country to open up its financial markets and eliminate controls on capital flow (both in and out). This will increase foreign direct investment, promote economic growth and lift the poor from poverty.
- 3 Payments, known as “remittances” that developing countries international migrants send back to their countries (home) have become an important measure of the performance of a globalized world economy. For example, in 2009, remittances exceeded \$300 billion, almost three times the total of foreign aid disbursements.

### Disadvantages

*What are the main disadvantages of globalization for developing countries?*

- 1 Globalization is unable to avoid the divergent interest clashes between the rich Western industrialized countries and the poor Developing countries.
- 2 So far, globalization has not brought equality among nations. Although it can minimize the risk of one country harming another, it is difficult to think

it will bring equality between the countries. This is because the nature and characteristics of globalization do not allow it to do so.

- 3 The strong and wealthy nations have the power to promote certain of their advantages.
- 4 Governments of the Western industrialized nations are ready to accept the principles of free market and make them practical in their relationships with developing countries. But they do this only when they are quite sure that their transcontinental corporations are the winners in the market competition.
- 5 When the industrialized countries import products from the developing countries, they impose high tariffs because they want to protect and safeguard the interests of their local industries. This clearly shows that they do not exercise free-market principles. Rather they stick to a non-free-market economic system.
- 6 Another problem is that governments of Western industrialized nations subsidize their farmers because they want them to sell their agricultural products at lower prices than those of the imported ones from the developing countries. This throws doubt on the sincerity of the Western industrialized nations when they talk about the importance of globalization for the reduction of poverty in developing countries.
- 7 Local markets in the developing countries may be dominated by the goods (particularly industrial) imported from industrialized countries the moment they open their doors to globalization.
- 8 Globalization disregards the protection of the environment and hence developing countries suffer greatly from environmental degradation.

### Activity 4.6



Discuss the following in your group and then present your findings to the class.



- 1 By providing practical examples, show how the disadvantages of globalization operate in Ethiopia.
- 2 Some people say that globalization has lost its broader meaning and has become synonymous with the advance of capitalism. Others go farther and perceive globalization as Americanization in a new form of cultural invasion. Do you agree or disagree with this statement? Why?
- 3 Do you think that compensation from industrialized countries is necessary to developing countries (like Ethiopia) in order to maintain third-world environments from the adverse (negative) effects of globalization? Why?

# Unit Review



## UNIT SUMMARY

-  The main economic systems of the world are grouped into traditional, free market, command and mixed economies. Each one of these systems has its own rules (decisions) and approaches to the economy that it runs.
-  Traditional economic systems are practiced in extremely backward areas and characterized by lack of knowledge of science and technology, low productivity and a low level of exchange of goods.
-  Market economy is an economic system which is characterized by private property, economic freedom (relatively), prices are determined by the law of supply and demand, and decentralized decision making.
-  In a command economy, the government makes decision about production and consumptions. Whereas in mixed economy system both government and private sectors play an important roles and may also compete to each other.
-  Sustainable economic development is the improvement of quality of life (both material and spiritual) without endangering future generations. Gross domestic product (GDP), per-capital income and living standards are some major indicators of economic development. Based on these measurements, countries of the world are often classified as developing and developed, although other terms are also used for this purpose.
-  The World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO) are the three key financial institutions that play a great role in shaping the current era of globalization.
-  Despite their short comings, the world economic organizations have been playing a great roles in fostering development. For instance, World Bank have financing (through large loans) different projects in developing countries like building roads, dams (for HEP), industries, etc. IMF provide loans to those countries which couldn't balance their foreign payments. WTO also plays a critical role in helping expand world trade and raise living standard around the world.

-  Globalization is the process by which people their ideas and their activities (economic, cultural, political) in previously relatively separated parts of the world become inter-connected, and drawn to the same social historical time.
-  Some of the advantages of globalization include creation of new opportunities and benefits (such as the removal of tariff restrictions), increment of direct foreign investment, remittance to home countries, etc. Its disadvantage is mainly related to the widening of the economic gaps between the rich and the poor nations.



## REVIEW EXERCISE FOR UNIT 4

### I *Write True for correct statements and False for wrong statements.*

- 1 Most countries of the world have a free market economy.
- 2 A traditional economic system is highly characterized by low productivity with intensive use of money in the market.
- 3 Sustainable development is dependent on the quality of the environment.
- 4 The GNP and GDP are more or less identical and are used to measure economic development.
- 5 The WTO is dominated by wealthy industrialized countries and does not give less developed nations enough of a voice in formulating new trade rules.
- 6 Less developed countries cannot benefit from globalization.

### II *Match Column B with Column A.*

- | <u>A</u>                                    | <u>B</u>                           |
|---|------------------------------------|
| 7 Environment of development                | A Per-capital income               |
| 8 IBRD                                      | B IMF                              |
| 9 Sustainable development                   | C Population, poverty, growth etc. |
| 10 Trade liberalization                     | D WTO                              |
| 11 The best measure of economic development | E Brundtland commission            |
|   | F Living standard                  |

**III** *Fill in the blanks in each statement.*

- 12 \_\_\_\_\_ is removing rules that restrict companies from working in free-market economic systems.
- 13 The three main components of sustainable development are \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.
- 14 Currently, Ethiopia follows a \_\_\_\_\_ economic system.
- 15 The three main institutions that are shaping the current era of globalization are \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.
- 16 \_\_\_\_\_ and \_\_\_\_\_ are two examples of intellectual property rights.

**IV** *Answer the following questions in detail.*

- 17 Describe briefly how you and your school communities benefit from globalization.
- 18 Why do Western industrialized countries subsidize their farmers? What impacts does this have upon the indigenous farmers of developing countries?
- 19 Explain briefly the negative impacts of globalization on your local environment.
- 20 The IMF requires developing countries to implement structural adjustments before they can receive loans. Do you think that this is fair? Why?

# Glossary

**Abiotic factor:** A nonliving part of an ecosystem.

**Agriculture:** The business of growing crops and raising animals.

**Agricultural Density (Rural Density):** It is a measure that defines the size of agricultural or rural population inhabiting a square area of cultivated land. It is the best measure of population and resource relationships in agricultural countries like Ethiopia.

**Altitude:** The height of any place, measured vertically from mean sea level.

**Anti-natalist policies:** Are designed to reduce birth rates. Such policies are promoted for several reasons. For example, moderating rapid population growth and preventing related social problems such as shortage of housing, education and services.

**Astronomer:** A scientist who studies other planets and the stars.

**Atmosphere:** The layer of gases that surrounds the earth.

**Benchmarks:** Represent precise heights along high ways or railways. They are shown on stones, bricks or bronze plates on walls of building and other convenient places.

**Bearing:** The direction of one place or object from another.

**Biodiversity:** a measure of the variety of kinds of organisms present in an ecosystem.

**Biome:** a kind of plant and animal community that covers large geographic areas.

**Biotic factor:** living portions of the environment.

**Biosphere:** The parts of the earth in which all of the planet's plant and animal life exists.

**Broad leaf:** Having wide leaves: said of hardwood trees that may drop their leaves in the winter.

**Canal:** An inland waterway built for transportation or irrigation.

**Cardinal direction:** One of the main direction of the globe; north, south, east and west.

**Cartography:** the branch of geography that studies maps and map making.

**Cause:** An event that makes something else happen.

**Chlorophyll:** pigment found in plant leaves that traps the energy in sunlight for use by the plant.

**Circle graph:** A graph in the shape of a circle that shows the sizes of different parts of a whole; also called a pie graph.

- Cliff:** A vertical rock-face common along sea coasts, mountain ridges and river courses.
- Climate:** The pattern of weather of a certain place over many years.
- Coast:** The land next to the ocean or sea.
- Cohort:** a group of persons, i.e. the same generation all born at the same time, or in some cases, those circumcised at the same ceremony.
- Command Economy:** Is an economy in which resources and business activity are controlled by the government.
- Compass rose:** a small drawing on a map that shows directions. A directional indicator that has arrows pointing north, south, east and west
- Concave slope:** A slope with a gentle gradient at the foot and steep gradient near the top.
- Coniferous forest:** a middle-latitude forest whose plants remain green year-round.
- Conservation:** the careful use of a natural resource.
- Continent:** one of Earth's seven large bodies of land-Africa, Antarctica, Asia, Australia, Europe, North America, and South America.
- Continental drift:** the theory proposed that continents were once joined together and later split and drifted apart.
- Contour (Also called Isohyse):** A line on a map connecting all points with the same known altitude above a specific mean sea level.
- Convex slope:** A slope with a steep gradient near the base and a gentle gradient near the top.
- Crop rotation:** A method of preserving soil fertility in which different types of crops are grown on the same piece of land over time.
- Crude Birth Rate (CBR):** indicates the number of live births observed in one year among one thousand people in a given region.
- Crude Death Rate (CDR):** Is the number of deaths occurring in a given year among one thousand people in a given region.
- Crude Density (Arithmetic Density):** Is the number of inhabitants per square kilometres of any geographical area.
- Dam:** a wall built across a river to control the flow of water or to create a lake.
- Deciduous:** plants that shed their leaves before a period of dormancy.
- Deforestation:** The loss of forest by cutting down all of its trees.



- Degree:** A unit for measuring distance on Earth's surface. Also a unit for measuring temperature. Represented by the symbol.
- Dependency Ratio:** Is a measure of the degree of burden created by the unproductive (children and old) population over the productive (adult) population.
- Deregulation:** Is removing rules that restrict companies.
- Desert:** a dry area that gets less than 25 centimeters of precipitation each year.
- Desertification:** a process by which desert-like conditions are created by a loss of plant cover and soil due to human activity.
- Developed countries:** Are countries that have good living standard and strong economic structure because they have a wide variety of industries and a higher per-capita income when compared with developing countries.
- Developing countries:** countries with low living standard and unreliable economy because they are dependent on traditional agriculture; also called third world.
- Development:** Is the extent to which natural resources of a nation have been brought to productive use in order to raise people's standard of living and to improve the quality of life.
- Dip slope:** The more gentle slope of a mountain ridge.
- Doldrums:** calm areas centered along the equator.
- Drought:** a period in which very little rain falls or long dry period with little or no rain.
- Drought prone areas:** areas that are inclined to a long dry period with little or no rain.
- Dry farming:** methods of growing crops in arid areas where two seasons rain is used for one season's harvest.
- Easting:** parallel line of the GRID which runs from the top to the bottom border of a map sheet.
- Ecology:** the study of how living things and their environment interact.
- Ecosystem:** an interdependent community of plants and animals combined with their physical environment.
- Elevation:** the height of land above sea level. Height on the earth's surface above or below sea level.
- Emigration Rate:** Is the number of people departing an area of origin per 1000 population of the area of origin in a given year.

- Environment:** the surroundings in which people, plants, or animals live.
- Epoch:** the smallest unit of geological time. Periods are divided into epochs.
- Equator:** An imaginary line that lies halfway between the North pole and the South Pole, at 0° latitude.
- Era:** a geological time unit.
- Erosion:** the action of water, wind or ice in wearing away soil and rock.
- Escarpment:** The steep slope of a plateau.
- Evaporation:** the process in which water is changed from a liquid to a gas.
- Even slope:** A slope where the gradient remains constant from base to top.
- Fallow:** unused, as crop land.
- Fauna:** all of the animals present in a given region.
- Famine:** an extreme shortage of food
- Fertile soil:** good for growing crops.
- Fertility:** Refers to the actual reproductive performance of a population.
- Field distance:** The distance that considers the ups and downs of the surface of the earth.
- Fertilizer:** chemicals added to soil to make it more fertile.
- Flora:** all the plants present in a given region.
- Formlines:** An inaccurate contour (broken or pecked lines) which have been drawn in by estimate, usually with the help of a few spot heights, but not instrumentally surveyed.
- Fossil fuel:** a fuel that may have been formed from the remains of prehistoric plants and animals.
- Galaxy:** a large volume of space containing many billions of stars, held together by mutual gravitational attraction.
- GATT (General Agreement on Tariffs and Trade):** was negotiated during the UN conference on trade and employment and was the outcome of the failure of negotiating governments to create the International Trade Organization (ITO). GAAT was signed in 1947 and lasted until 1993, when it was replaced by the World Trade Organization in 1995. The original GATT text (GATT 1947) is still in effect under the WTO framework, subject to the modifications of GATT 1994.
- Geographic grid:** the grid formed by the meridians and parallels used for accurate locations of points on the surface of the earth.

- Geological time scale:** a chronological arrangement of geological time subdivided into units.
- General Fertility Rate (GFR):** Is the number of live births per 1000 women aged 15-49 years in a given year.
- Geography:** the study of earth and the way people, plants and animals live and use it.
- Geographic gird:** the criss-crossing lines of latitude and longitude on a map or globe.
- Globalization:** Is the process by which people their ideas and their activities (economic, cultural, political) in previously relatively separated parts of the world become interconnected, and drawn to the same social space at the same historical time.
- Globe:** a scale model of the earth, especially useful for looking at its entire surface or at large areas of its surface.
- Gradient:** The rate of change in altitude of a slope expressed basically as a proportion between vertical changes per horizontally unit length.
- Granite:** a specked, hard, crystalline rock formed deep in the earth's crust.
- Graph:** a diagram that shows information in a picture. See circle graph, line graph.
- Greenhouse effect:** the warming of the earth caused by the buildup of carbon dioxide in the lower atmosphere, possibly as a result of human industrial activity.
- Green house gas:** gas in the atmosphere that allows sunlight to enter but retards the outward flow of heat from the earth.
- Grid:** a pattern of lines that circle the earth in east-west and north-south directions.
- Grid north:** the direction indicated by the Verticals representing the Easting's of the grid.
- Grid origin:** the point from which the numbering of all grid lines of a given network begins.
- Gross Domestic Product (GDP):** Is the total value of currently produced final goods and services within a country's borders, usually in a year, irrespective of who owns the outputs.
- Gross National Product (GNP):** Is the total value of goods and services produced by a country in a year, including incomes secured from abroad and varied activities.
- Habitat:** the specific kind of place where a particular kind of organism lives.

**Hachure:** A line on relief map drawn down the slope, made thicker and drawn closer together where the gradient is steeper. Usually nowadays used together with contours to show minor but important details lost between the contours of a normal contour map.

**Hemisphere:** half a sphere; one of the four hemispheres.

**Human factors:** are factors that include technology, human labour, etc.

**Humidity:** the amount of water vapor in the air.

**Humus:** an important ingredient of soil, made of decayed plant or animal matter.

**Hydrosphere:** the physical system made up of all of Earth's water.

**IMF (International Monetary Fund):** Is a global economic organization established (in 1994) with the aims of encouraging exchange stability, eliminating exchange controls, promoting international monetary cooperation, and expanding world trade.

**Immigration Rate:** Is the number of people arriving at a destination in a given year.

**Infant Mortality Rate (IMR):** Is the number of deaths of infants under the age of one year, amongst 1000 live births in a given year.

**Insolation:** the amount of the sun's energy that reaches Earth at a given time and place.

**Intellectual property rights:** are creative works that can be protected legally. Example patents and copy rights.

**Intermediate direction:** any direction in between two cardinal directions – north east, southeast, southwest, northwest.

**Inter Tropical Convergence Zone (ITCZ)** – the boundary between two air masses produced within the trade wind system.

**Irrigation:** the use of ditches or pipes to bring water to fields.

**Land mark:** is an object that is easily seen from a distance.

**Layer coloring (Layer tinting):** The distinctive shading or coloring of a map between particular pairs of contours in order to reveal the pattern of distribution of high and low land at a glance.

**Lava:** melted liquid rock, or magma, from within the earth that spills out on the earth's surface.

**Latitude:** a measure of distance on earth north or south of the equator.

**Leaching:** the process by which nutrients are washed down out of top soil by rainfall.

- Life expectancy:** Is a statistical measure of the average number of years that a group of people of a certain age expect to live at birth.
- Least developed countries:** Are the poorest nations of the world, which have the most backward economic and social systems. Hence, poverty is a common feature of the majority of the people of these countries.
- Less developed countries:** Are countries which are found in Africa, Latin America and Asia. They have traditional economic systems, largely based on agriculture, mining or a combination of both.
- Line graph:** a graph that shows how a piece of information changes over time.
- Lithosphere:** the solid surface of the planet that forms the continents and the ocean floor.
- Logging:** the process by which trees are cut down and transported out of the forest.
- Longitude:** a measure of distance on earth east or west of the prime meridian.
- Market Economy:** Is an economy in which prices and wages are determined mainly by supply and demand, rather than being regulated by a government.
- Meridian:** a line of longitude.
- Meteorology:** the field of geography that specializes in weather and weather forecasting.
- Migration:** the movement of man, birds, or animals to a place that offers a better life (forced or voluntary).
- Mineral:** a non-renewable natural resource that is found in the earth.
- Mixed Economy:** Is an economic system in which both government and private business exercise influence over various sectors of the economy.
- Mortality:** Is the occurrence of death.
- Natural resource:** something found in the environment that people can use.
- Net Migration Rate (NMR):** Shows the net effect of immigration and emigration in an area's population.
- Nonrenewable resource:** a natural resource that is limited in supply and cannot be replaced, such as a fuel or minerals.
- Northings:** Parallel lines running from the left – hand to the right hand border of a map sheet.
- Ocean:** one of earth's four largest bodies of water; the Arctic, Atlantic, Indian and Pacific oceans.

**Old age dependency:** the proportion of elderly (>65) to the working age group (15 - 64) multiplied by 100.

**Ozone:** a gas formed from an interaction between oxygen and sunlight; the ozone layer is a region in the earth's upper atmosphere that protects life beneath it by filtering out dangerous ultraviolet solar radiation.

**Pampas:** a large, grassy plain with fertile soil in Argentina.

**Parallel:** a line of latitude.

**Per-capita income:** Is a measure used to evaluate the standard of living (quality of life). It is strongly related to the GDP.

**Period:** a geologic time unit longer than an epoch and shorter than an era.

**Permafrost:** water below a tundra surface that remains frozen throughout the year.

**Petroleum:** a fuel, commonly called oil that formed underground from dead plants and animals.

**Photosynthesis:** the process by which a plant converts sunlight into chemical energy.

**Physical factors:** are factors that include land forms, climate, soil, vegetation, etc.

**Physiographic diagram:** The depiction of relief on a map by the application of standardized, convention, pictorial symbols, based on the simplified appearance of physical features as they are seen from the side or obliquely.

**Plain:** a large area of nearly flat land.

**Planet:** a spherical object that orbits around a star.

**Plantation:** a large farm where cash crops are grown such as cotton or coffee.

**Plate:** large broken section of the earth's crust.

**Plateau:** a high landform that rises steeply above the surrounding land.

**Plate boundary:** a boundary between two plates.

**Plate tectonics:** the concept that the outer surface of the Earth consists of large plates that are slowly moving over the surface of a plastic layer.

**Population cluster:** refers to a large population concentration.

**Population distribution:** Is concerned with how people are distributed spatially.

**Population doubling time:** Is the time taken, in years, for a population of a given region or country to double at a given rate of population growth.

**Population change:** is any change of population size due to the impact of fertility, mortality or migration.

**Population density:** the ratio of population per unit area in which they live.

**Population explosion:** Is rapid (sudden) increase of population.

**Population growth:** the increase in population.

**Population growth rate (PGR):** Is a measure of population change, which can be obtained by adding or subtracting net migration rate from rate of natural increase.

**Population Policies:** are used as guidelines to create positive relationships between population and resources.

**Population Pyramid:** Is a diagrammatic representation of the age-sex composition of a given country's population.

**Population size:** refers to the total number of peoples that inhabit an area.

**Population structure:** refers to the age-sex composition of any population.

**Precipitation:** the moisture that falls to the ground as rain, snow, sleet, or hail.

**Prime meridian:** the line of longitude, marked  $0^\circ$ , from which other meridians are numbered.

**Privatization:** is the selling of government enterprises.

**Pro-natalist (populationist) policies:** are designed to encourage population growth. Such policies are adopted with the objectives of achieving various goals such as maintaining military strength, economic production and national pride.

**Rainfall regime:** the annual or seasonal variation or distribution of rainfall in an area.

**Rainforest:** a warm, wet forest where trees and other plants grow close together.

**Range:** difference between highest and lowest limit.

**Rate of natural increase (RNI):** Is a measure of population change, which can be calculated by subtracting death rate from birth rate.

**Reforestation:** a process by which forests are renewed through the planting of seeds or young trees.

**Region:** an area with common features that is set apart from other areas.

- Relief:** A feature or landform of an area that has a variety of different heights or altitudes. It includes landforms such as plains, hills, plateaus, valleys, ridges, etc.
- Renewable resource:** a natural resource that can be replaced for later use, such as forest.
- Rock weathering:** the process that breaks up rocks and causes them to decay.
- Scale:** the relationship between the distance shown on a map and the real distance on earth.
- Sahel:** a region of bush savanna and grasslands along the southern edge of Africa's Sahara.
- Scarps slope:** The steeper slope of a mountain ridge.
- Sex Preference:** Is the desire to have children of one sex over the other.
- Sex ratio (SR):** refers to the number of male population for every 100 females.
- Slope:** The inclination of a surface from horizontal.
- Soil:** a mixture of mineral material, organic matter, air, water, and living organisms, capable of supporting plant growth.
- Soil conservation:** the practice of protecting soil from erosion.
- Species:** a group of organisms that can interbreed and produce off spring capable of reproduction.
- Spot heights:** lesser survey points which have been measured to determine their positions and especially their heights.
- Standard of living:** The economic level at which an individual, family or nation lives. It may be measured by determining the value of goods and services consumed by the individual, family or nation during a given period. It is the best measure of quality of life.
- Stepped (terraced) slope:** In the case of this type of slope, the gradient changes several times between the foot and the top of the slope.
- Structural adjustment programme:** are the policies implemented by the International Monetary Fund (IMF) and the World Bank in developing countries. These policy changes are conditions for getting new loans from the IMF or World Bank, or for obtaining lower interest rates on existing loans. Conditionalities are implemented to ensure that the money lent will be spent in accordance with the overall goals of the loan.
- Sustainable development:** Is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.



**Savanna:** a tropical grassland with scattered trees and shrubs.

**Sediment:** small particles of mud, sand, or gravel created by rock weathering.

**Shelterbelt:** a row of trees along a field that blocks the wind and protects the soil.

**Silt:** sediment coarser than clay but thinner than sand.

**Soil salinization:** salt building up in the soil, often caused by evaporation of irrigation water.

**Solar system:** the sun and the nine planets and all other objects that revolve around the sun.

**Subsoil:** a layer of soil beneath the top soil that contains little humus and usually much gravel.

**Taiga:** the huge forest region, located in the Northern Hemisphere just south of the Tundra, of tall, evergreen needle-leaf trees.

**Temperature:** a measurement of how hot or cold something is, often the air.

**Top soil:** the fertile, dark-colored surface soil.

**Total fertility rate (TFR):** Is the average number of children that would be born alive to a woman during her reproductive age if she were to pass through all her child bearing years. It can be obtained by summing up birth rates at each age-group throughout the child bearing age.

**Trade liberalization:** Is opening local markets to foreign goods by removing barriers to exports and imports.

**Traditional climate zone:** climate zones classified based on indigenous knowledge, functional only to that local area.

**Traditional economy:** Is an economic system that is practiced in extremely backward areas or primitive societies like gatherers and hunters.

**Trade wind:** N.E or S.E wind that blows from the subtropical high-pressure zone toward the equatorial low-pressure zone.

**Tree line:** the elevation, on mountain slopes, above which trees cannot grow.

**Trigonometrical points (Trigonometrical station):** A place chosen and marked by surveyors as the corner or intersection of carefully measured triangles. Hill-tops, mountain peaks and other easily visible places are most commonly used.

**Tropics:** warm areas in the low latitudes.

- True north:** the direction of the north pole indicated by the meridian passing through the point in question.
- Universe:** everything that exist everywhere; all the stars, planets, their satellites, etc.
- Urbanization:** Is the process of concentration of people in areas whose functions are non-agricultural.
- Vertical interval (V.I.):** The difference in vertical height between two points or two consecutive contour lines.
- Weather:** the condition of the air at a certain time in a certain place, including temperature, precipitation, and wind.
- Westerly:** N.W or S.W wind that dominates the middle latitudes, blowing from the subtropical high-pressure zone to the sub-polar low-pressure zone.
- Wet lands:** areas of stagnant water, such as swamps, marshes, and bogs.
- World Bank:** Is a specialized agency of the United Nations that grants loans to member nations for the purpose of reconstruction and development.
- WTO (World Trade Organization):** Is an international body that promotes and enforces provision of trade laws and regulations among member states.
- Youth dependency ratio:** the proportion of children (<15) to the working age group (15 - 64) multiplied by 100.



# GEOGRAPHY

**STUDENT TEXTBOOK  
GRADE 10**

ISBN 978-99944-2-138-1



**FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
MINISTRY OF EDUCATION**

Price: ETB 21.80