



Six Factors:

1. Geographical (Location)

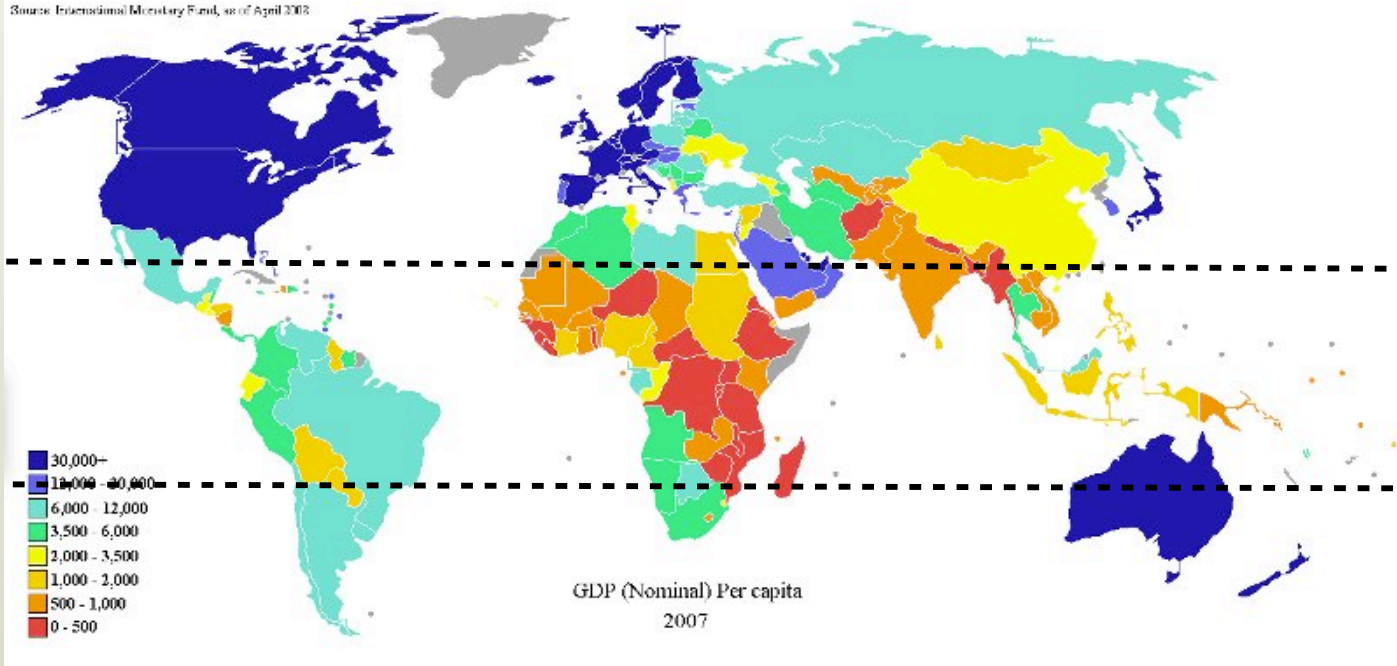
a. Tropical Regions

- most developing countries are located in the tropics
- in the absence of air conditioning technology, discourage work and have high rates of infectious disease, reducing **labour productivity**
- excessive moisture, drought, disease, and poor quality soils (outside volcanic regions, river valleys, and deltas) limit agricultural productivity

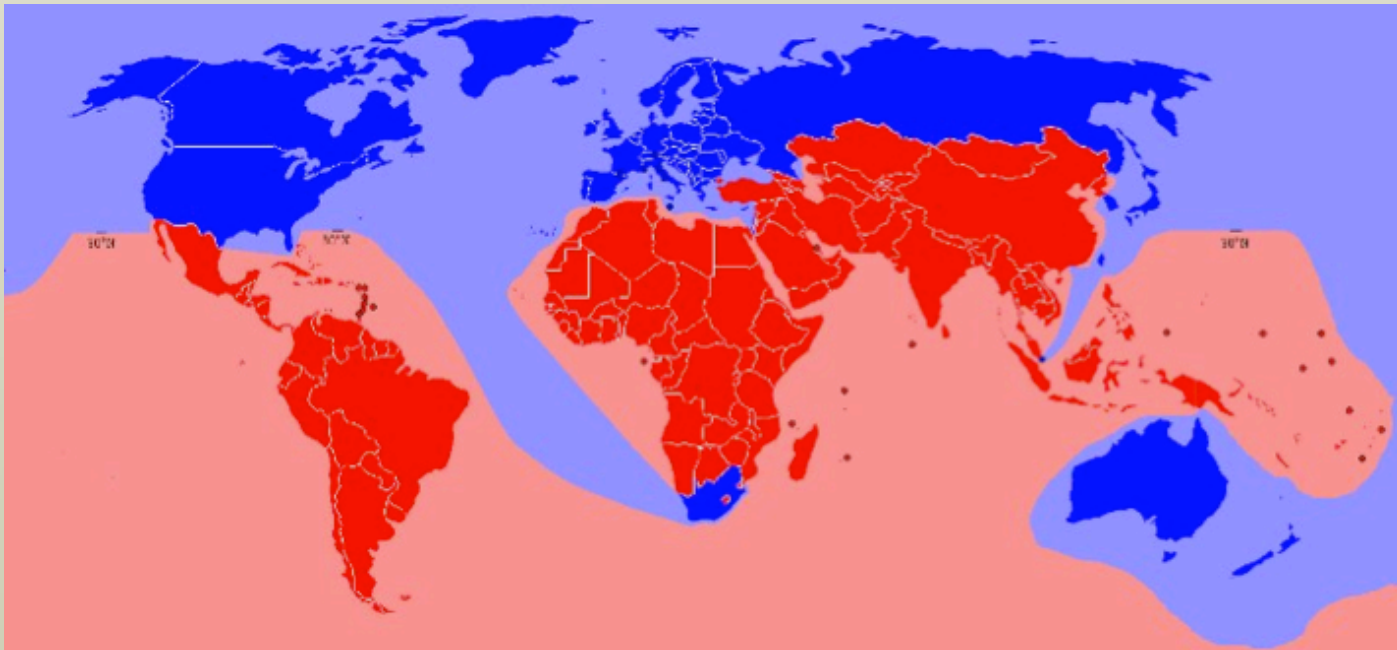


Causes of Development Disparity

Source: International Monetary Fund, as of April 2008



Tropics



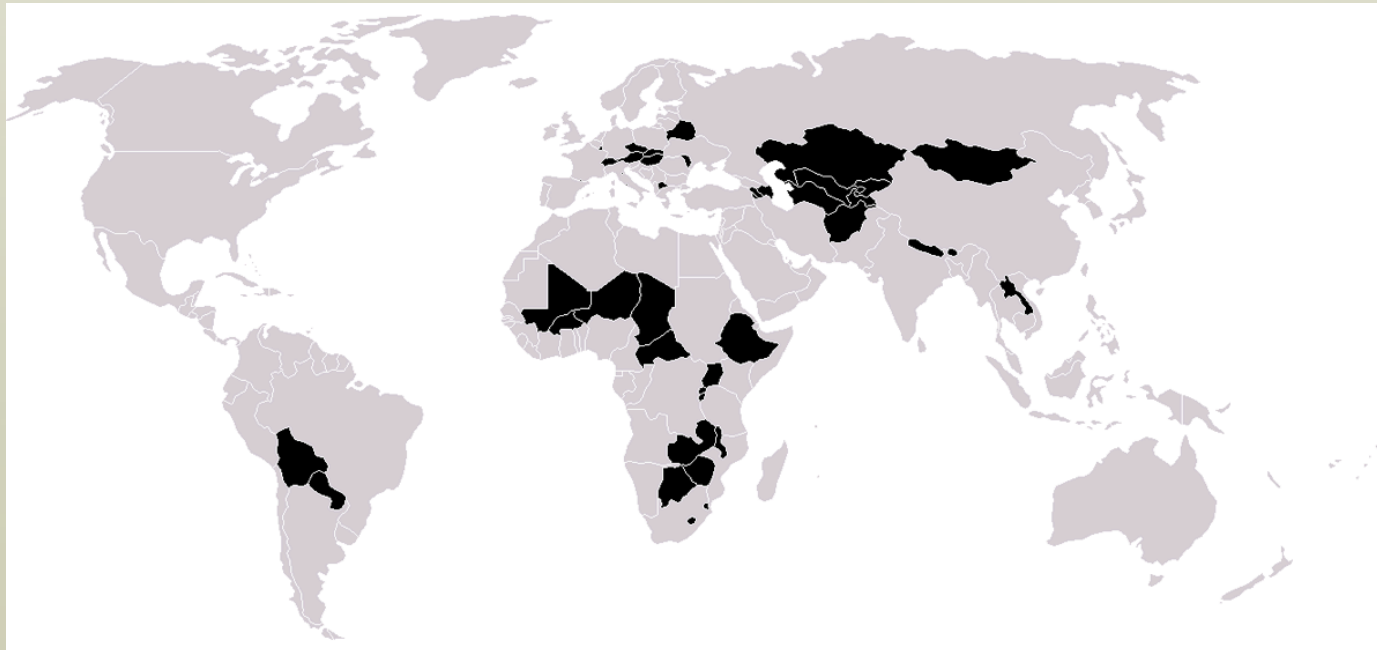
Brandt Line
North-South
Divide



Causes of Development Disparity

b. Distance from the Coast

- countries far from the coastline or with limited access to navigable waterways show slower rates of economic growth
- due to higher rates of transportation costs in accessing world markets
- a country whose population is farther than 100 km from the sea grows 0.6% slower than those where the entire population is within this distance from the coast

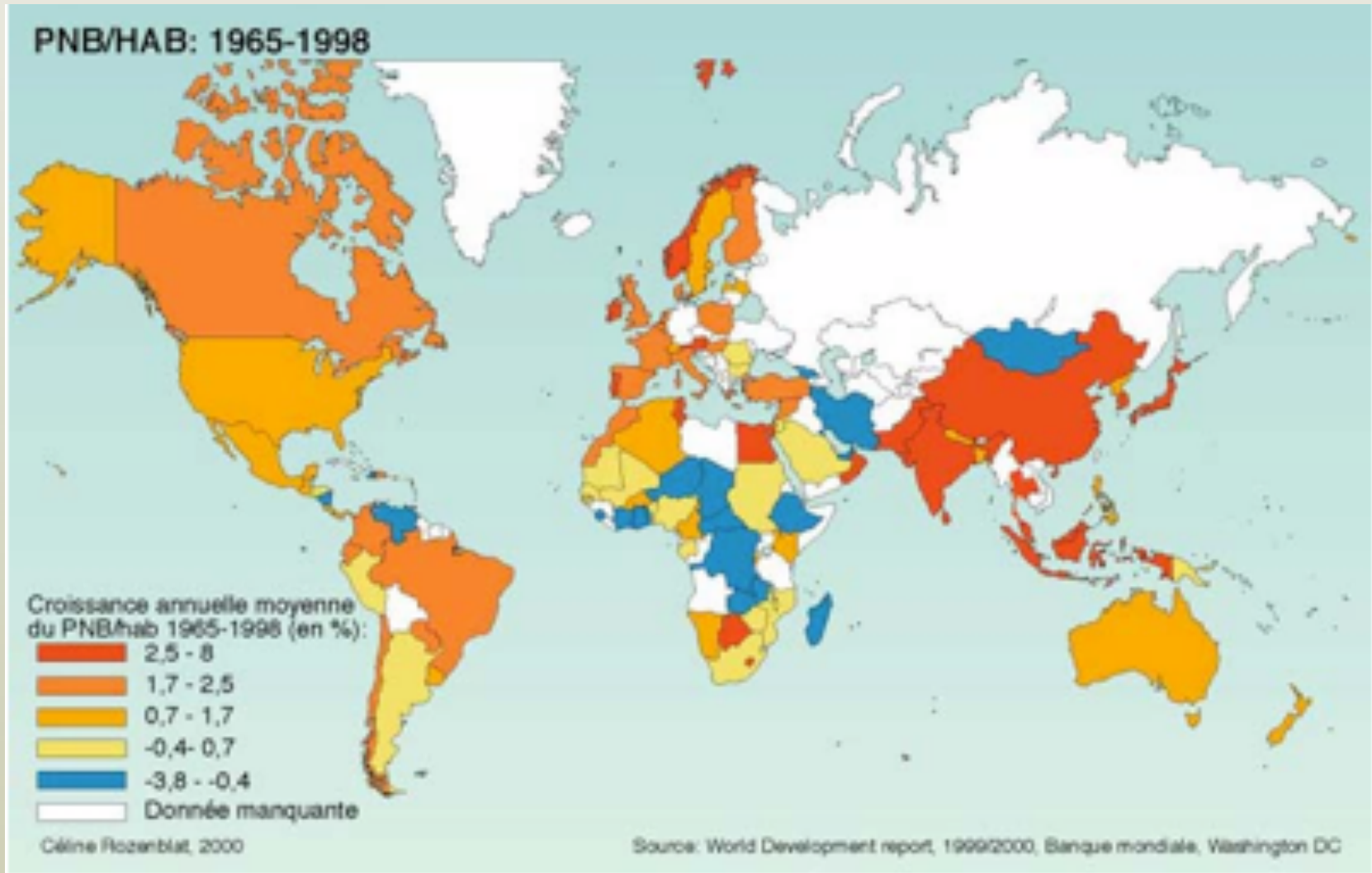


World's
Landlocked
Countries



Causes of Development Disparity

Economic Performance of Landlocked Countries





Causes of Development Disparity

2. Historical

a. Colonial Experience

- developing countries were at one time colonies of developed countries and many of today's ills are blamed on the legacy of exploitation by the imperial powers of Europe and to a lesser extent, the United States





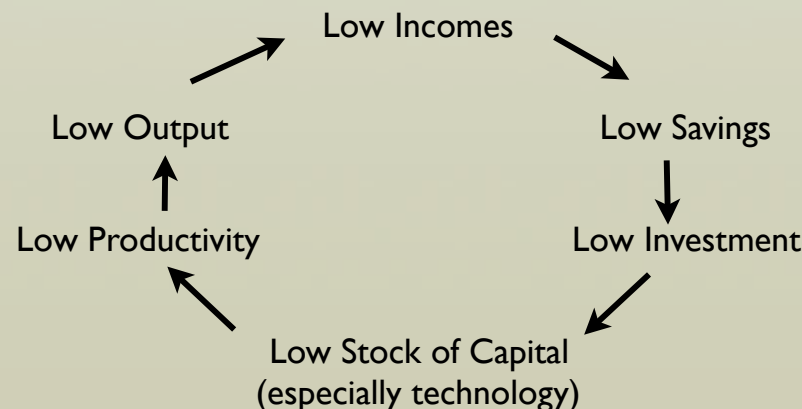
Causes of Development Disparity

b. Stage of Development Process

- poor countries find it difficult to compete with rich countries in part because of the **'Head Start Factor'**
- that is, when rich countries began their development process, it was **much easier than today** requiring fewer resources, simpler technology, less capital, minimal labour skills, and restrained by fewer government regulations

3. Economic

- factors include capital shortage, low labour productivity, and lack of technology, known as the **Vicious Circle Model of Poverty**

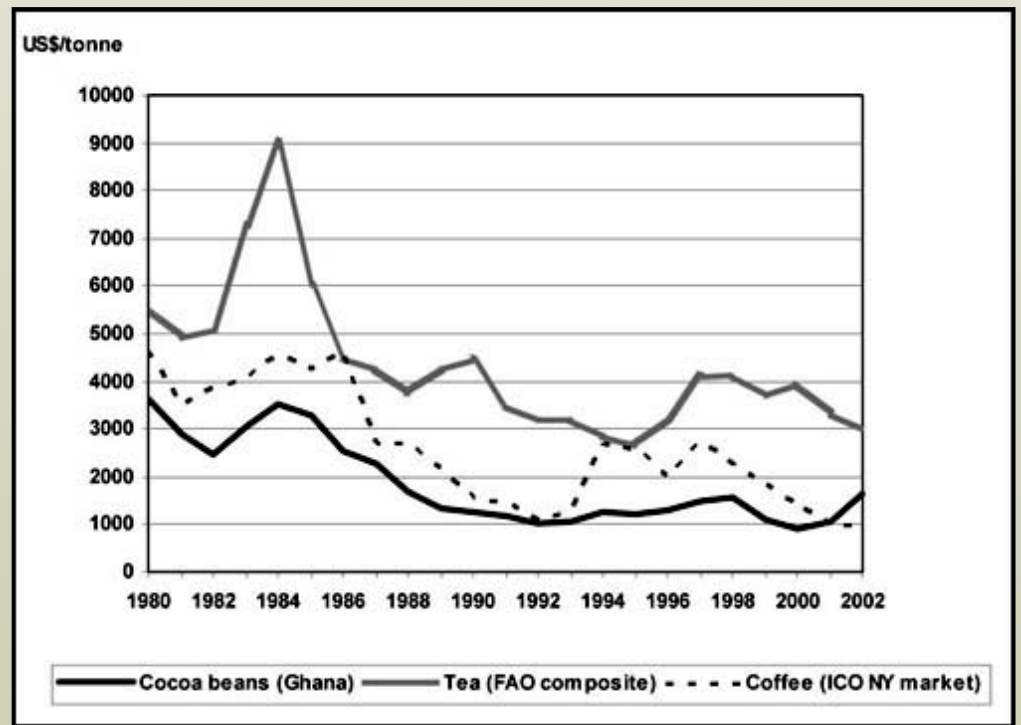




Causes of Development Disparity

b. Foreign Debt

- Back in the 1960s and 1970s, many LDCs took out loans from MDCs using their cash crops as collateral
- since then, the value of cash crops has steadily declined
- this had made it much more difficult to pay back debts which have since grown significantly
- many LDCs cannot introduce improvements due to the cost of paying off their debt





c. Trade Inequities

Economic disparity between countries becomes blatantly obvious when comparing the value of economic goods produced:

- computer design, software design, marketing, etc. that take place in MDCs is of greater value than the electronics and computers manufactured in Newly Industrializing Countries (NICs);
- computers and electronics produced in NICs are of greater value than the cash crops produced in LDCs;
- with cash crops dropping in value, what effect would this have on disparity?



4. Social

a. Population Problems

- rapid growth, high dependency loads, urbanization focuses attention on current needs taking away resources from investment in the future
- levels of economic growth required to meet needs of population now and in the future is unrealistic

E.g. If a country's population grows by 2.5% per year - how does this affect disparity?

- to prevent disparity within the country from growing any larger, the economy, jobs, health care, education, clean water, sewage, etc., etc., etc., must also grow by ____%



b. Health Levels and Educational Achievement

- low levels of both health and education typical of developing countries adversely impacts labour productivity

c. Class Structure

- social mobility, a requisite for modernization is restricted in countries with rigid class structures
- In Latin America, small privileged elite exercise all political and economic power
- In India, a person's lot in life determined by whatever caste they happen to have been born into



d. Status of Women

- tend to be limited to traditional roles which in effect means that half the potentially productive labour force is restricted from participating in the economic development of their societies

e. Kinship Groups

- allegiance to families, clans, or tribes can stand in the way of economic progress, which requires freedom of actions for individuals - a very common problem in non-western world which encompasses a majority of world's poor (e.g. Afghanistan)



5. Political

a. Political Division

- most new nations (mainly those created from the break-up European Empires in Latin America, Asia, and Africa) have only weak national identities as political loyalties remain for older institutions defined by race, ethnicity, religion, language, or tribe not country
- detrimental to development because it makes consensus on socio-economic policy next to impossible

b. Political Instability and Corruption

- where political division is severe countries tend to be unstable and vulnerable to coups
- dictatorship and arbitrary rule in the interest of those in power and endemic corruption almost inevitably follow (antithesis of 'peace order and good government' necessary for investment)



6. Cultural

a. Religious Beliefs

- history of economic development in the West shows a direct link between modernization and the prevailing beliefs of their societies
- Protestantism versus Catholicism
- Non-western beliefs in 'fatalism' not conducive to economic growth and development

b. Customs and Traditions

- traditional values (such as the prohibition interest payments on money borrowed) can be strong disincentives to development