

# Obstacles to development in less developed countries economics essay



The following essay discusses the most serious obstacles to development in Less Developed Countries during the twenty first century. This paper analyzes those obstacles to development in LDCs based on the definition of the level of development and the components and criteria of the development measurement. So this paper argues that in the less developed countries, the most serious obstacles to development are high population growth, human capital weakness and high economic vulnerability.

Before proceeding any future, some definitions and relationships are in order. There are two key words in this paper which should be clarified and narrowed. The first term is " LDCs" (Less Developed Countries). From Wikipedia, we get the definition of " Less Developed Countries" are countries whose development indicators are below a certain level. Then it comes to the following key words " development" and " development indicator". What does " development" mean? In definition, " development" means both economic development and social development within a country. In detail, " social development" includes improvement in human capital and political stability. Then, " economic development" includes rising income associated with population growth. Therefore, associated with " economic development" and " social development", United Nations defines the level of development of a country based on " Human Development Index" rate as " development indicator". According to definition in Wikipedia, the main components of Human Development Index are based on three criteria: " income associated with population size", " Human capital" and the degree of " economic vulnerability". With a lower HDI rate in DLCs, the lower levels of these three criteria conditions are the most obstacles to development. That is high

population growth, human resource weakness and high economic vulnerability.

After narrowing and clarifying the key words and relationships in this paper, I will analyze each obstacle in detail.

## **1 High Population Growth**

As we know, although GDP may expand a lot, GDP per capital has a serious negative relationship with population size. In other words, the bigger the population size is, the lower GDP per capital as an indicator of living standard will be. Realizing this reverse relationship between average income and population size well, China has taken one-child policy to reduce the population. Compared with 1978, the urban people's per-capita incomes for living expenses increased 10-fold, at an annual increase of 15.5 percent; the per-capita net incomes for rural families went up 9-fold, at an annual increase of 14.8 percent. (Wikipedia, 2010) Therefore, we can get the point that the obstacle to achieving meaningful economic expansion is related in great part to their disability to limit population growth in most LDCs.

However, high population size is not a obstacle to economic development for all LDCs. In other words, in some developing countries such as "Africa, Latin America and even parts of Asia where there are underpopulated situation and lack of labor force in agricultural sector" (Kay, 2002). In this case, population growth is desirable.

## 2 Human Capital Weaknesses

Human capital which contains education and health mainly determines the productivity. In other words, lower human capital has a negative relationship with GDP in LDCs through lower labor productivity. Firstly, education can increase the economic growth a lot in LDCs via increasing productivity.

According to data from Todaro's article, " in developing countries such as sub-Saharan Africa and Asia, the private return to higher education is 28% and 20% which is higher than developed countries' return scale, 12%."

However, since the poor countries' people usually get married very early and produce children that they can't educate or even support. So the reduction in population growth among educated people in the developing countries is being more than compensated by the increase among the underprivileged.

Take the example of Bangladesh, the seventh largest country in the world in population. By every measure the country has made improvements in education and most importantly achieved a respectable economic growth rate of, on average, 5 per cent annually in recent years. (Mahfuz, 2009)

Therefore, obstacle to improve economic development is related in great part to the low level of education in LDCs. Secondly, health can also affect productivity in LDCs. In other words, the healthier workers are the more better-paying jobs they will get. For example, India's action of eliminating deformity of from leprosy brings more than triple earnings of workers. (Mahfuz, 2009)

However, on the worldwide scale, developing countries have worse health conditions than developed countries which make an obstacle to their development.

### 3 High Economic Vulnerability

Next, I will analyze the obstacles of high economic vulnerability in LDCs at two levels: the domestic level of high political instability and the international level of high inequality in international trade.

#### (1) High Political Instability

Wikipedia defines “ PI as situations, activities, or patterns of political behavior that threaten to change fiscal policy”. As used here, the key attribute of PI is that it generates uncertainty about the stability of the fiscal policy of changing the saving rate.

Table one

AVERAGE SAVING RATE, GROWTH RATE AND POLITICAL INSTABILITY IN

SUB-SAHARAN AFRICA: SELECTED YEARS(\*)

1975 1980 1985 1989

Savings Rate (%) 10.47 7.21 7.08 5.72

Growth Rate (%) 2.42 2.54 3.83 3.40

Political Instability -0.0406 0.0381 -0.651 0.2907

\* Calculated from World Bank, African Economic Indicators, 1992 and

Centre for Social Analysis, Cross-National Time-Series Data Archives, 1993.

Table one shows the average savings rate and real GDP growth rates as well as average PI in Sub-Saharan Africa for selected years. PI increased dramatically during this period of falling savings, inviting the suggestion that there is a causal relationship between PI and the savings rate. While PI has, on the average, increased in Sub-Saharan Africa with the attendant decrease in economic performance, there are cross-country differences in the degree of PI and economic performance. For example, in 1960, “ the savings rates for Ethiopia, Chad, Ghana, and Zaire, four countries with high incidence of PI were 11, 5, 17, and 21 per cent respectively. By 1992, savings rates in these countries had fallen to -1, -20, 2, and -8 per cent respectively” (Levine, 1997).

## 2) High Inequality in International Trade

In the theory of “ international-dependence” from text book, it mainly points out that international trade will benefit rich and powerful group who has a great bargaining power in international institution, at the expense of lower the wider poor population’s welfare. For example, according to data, “ during the most recent period of rapid growth in global trade and investment (1960 to 1998) inequality worsened both internationally within developing countries” (Ivanova, 1999). For example, “ as tariffs on manufactured imports from developing countries are on average 4 times greater than those on manufactured imports from industrial countries, “ the majority of LDCs with strong import liberalization have experienced negative growth over the past 20 years” (Richard, 2000).

**Conclusion:**

In short, as we see from previous discussion of the three criteria (average income associated with population growth, human capital and economic vulnerability) for HDI which are measures of the level of development in the world, the lower level in each component directly determines the lower level of development. Therefore, the most serious obstacles to development in less developed countries which have lower HDI rate are the lower level components in the three criteria which are high population growth, human capital weakness and high economic vulnerability.