

DISPROPORTIONS OF THE GLOBAL DEVELOPMENT. THE SCALE OF PROBLEMS

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Abstract

Advocates of globalization point to world integrative processes. In their interpretations the world is becoming “a global village” where people produce and consume similar goods, think and behave in a similar way, etc. However, this “global village”, besides some perceptible traits of unification and convergence, differs more and more in its internal structure. The distance between the most fully developed countries which form the world centre and those situated at the limits of the periphery of world economy is growing in an accelerated speed.. The life conditional, measured by means of GDP per capita and indexes, is a distance which the least developed countries of the world are not and will not be in able to make up for.

In the above-respect reasons limiting opportunities to escape from the “vicious circle of poverty” are working with great force. There is still another aspect. The world, with its today’s level of technology is not in a position to bear the costs of equalizing the development of peripheral countries with the level of the economies of the countries of the centre. Such equalization would lead to, among other things, catastrophic shortages of unrenewable raw materials and a further critical devastation of the environment. In this context asking about the futures of the world seems alarming.

1. The two poles of the global economy

It was already in Adam Smith's and David Ricardo's times when causes of differences in „getting rich” were debated and, consequently so were the differences in the economic growth of countries. It was then noticed that the scale of diversification of levels of economic growth was increasing noticeably. Some countries were situated in a path of a rapid development and civilisation advancement, which was the effect of the increasingly popular market economy. Others, still remaining in systems of traditional and customary economies, which

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had been tested for centuries, were condemned to stagnation and underdevelopment¹.

The differences that came into being at the beginning of the market economy not only didn't decrease, but even deepened as the years went by. This process is continuing. Differences between the countries of the so-called Centre, that is the most developed ones, and those that are the least developed, that is the ones that are on the fringe areas of modern world economy, are growing conspicuously. In the latter countries, the least developed ones, it sometimes is the case that the process of development has stopped at the level not from before hundreds, but from before... thousands of years. In some of them, for example in the countries of the Sub Saharan Africa, their low national product in most cases results from nomadic stock-farming². Thus, the economy functions there as in the biblical times. On the other hand, in the most developed countries there is an ultra-modern line and branch structure. They are at the stage of post-industrial development, which simply means that there is an unquestionable domination of the services sector in the formation of GDP and employment.

The structural differences between the economies of the most and least developed countries that are mentioned above have obviously their consequences in the effects achieved by these countries. The countries with the underdeveloped, biblical sector structure, belong to the extremely poor ones. They constitute a pole of poverty and belong to a group of 53 countries defined by the World Bank as "Low – income economies"³. These poorest countries are characterized by a high percentage of population living on less than \$1 a day, which means malnutrition and often even a hunger disaster.

The largest world centre of poverty is the already mentioned Sub Saharan Africa, especially such countries as: Burundi, Ethiopia, Republic of the Congo, etc. (See Table 1).

This region is characterized by a deeply rooted state of poverty which is in fact still deepening. In other regions of the world, where there is also extreme poverty on a large scale, that is in Southern Asia, Eastern Asia and South-Eastern Asia and Oceania, its growth was successfully stopped during the last few years. See and compare: Table 2 and Figure 1.

An appallingly low income level per capita means that beside hunger or malnutrition, the people in the poorest countries are affected by many other

¹ This subject is discussed more thoroughly in: J. Wisniewski, (1996), *Polimorfizm zasady racjonalnego gospodarowania*, Torun, UMK, p. 93 and following.

² Somalia may be a good example of a country with obsolete economy. In this country nomadic stock-farming is indeed the main sector of economy. Incidentally, civilization collapse and fall of the state took place in that country during last few years, which resulted from the domestic war.

³ This group consists of countries whose income per capita is \$905 or less. See: "Country Classification, World Bank (Web-2008).

plagues, such as: epidemic diseases, high infant and child mortality, relatively short life expectancy, no access to potable water, illiteracy, etc. A struggle against these ailments and at the same time symptoms of civilization underdevelopment was taken up by the UN that declared a programme called „The Millennium Development Goals”⁴.

Table 1. Ten Poorest and Ten Richest Countries in the World (based on 2004 GNP per capita in US \$)

Poorest Countries and GNP per capita		Richest Countries and GNP per capita	
1. Burundi	\$ 90	1. Luxemburg	\$ 56,380
2. Ethiopia	\$ 110	2. Norway	\$ 51,810
3. Democratic Republic of Congo	\$ 110	3. Switzerland	\$ 49,600
4. Liberia	\$ 110	4. United States	\$ 41,440
5. Malawi	\$ 160	5. Denmark	\$ 40,750
6. Guinea-Bissau	\$ 160	6. Iceland	\$ 37,920
7. Eritrea	\$ 190	7. Japan	\$ 37,050
8. Niger	\$ 210	8. Sweden	\$ 35,840
9. Sierra Leone	\$ 210	9. Ireland	\$ 34,310
10. Rwanda	\$ 210	10. United Kingdom	\$ 33,630

Source: The World Development Indicators Publisher by World Bank in July 2006.

Table 2. Extreme poverty, 1990-2001

Regions	Percentage of population living on less than \$1 a day	
	1990	2001
Developing regions	27.9	21.3
Northern Africa and Western Asia	2.2	2.7
Sub-Saharan Africa	44.6	46.4
Latin America and the Caribbean	11.3	9.5
Eastern Asia	33.0	16.6
Southern Asia	39.4	29.9
South-Eastern Asia and Oceania	19.6	10.2

Source: The World Development Indicators Publisher by World Bank in 2004 .

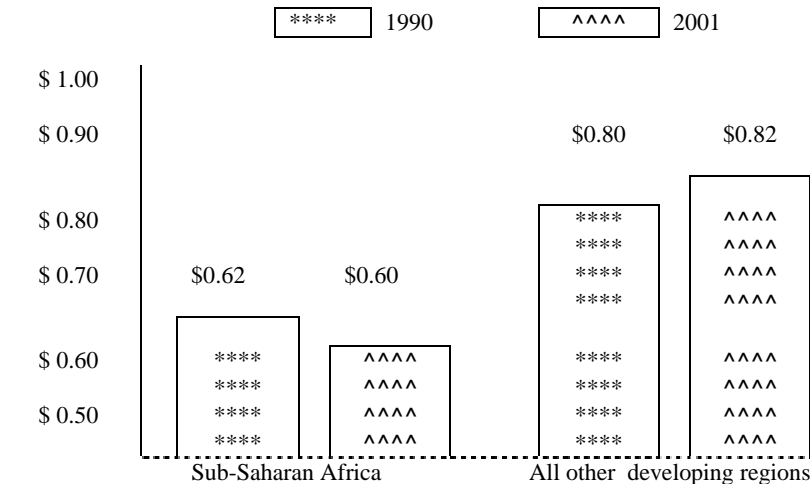
At the other end there are highly developed countries. According to the World Bank, gross national income per capita in 60 countries is at the level of more than \$ 11,115. They are referred to as “High – income economies”. This group is also internally varied. It consists of economies that have just crossed the indicated borderline of high development (for example Chile - \$11,300; Croatia - \$11,600, Saudi Arabia - \$ 12,800; Latvia - \$13,200; Poland - \$13,300 ⁵, as well as those in which income is much higher than the borderline (see: richest countries, Table 1).

⁴ The Millennium Development Goals. Report 2007”, 2007, New York, United Nations, p. 6 and following.

⁵ Source: “Economic Statistics by Country, 2005. The World Factbook”, 2006.

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Figure 1. Average income of people living on less than \$1 a day, 1990 and 2001



Source: the same as in Table 2.

In spite of this internal diversity, the “High- income economies” group is characterized by many common features. These are the countries that have fully developed post-industrial economies or are in the advanced stage of its development. In these countries the occurrence of extremely low living standards was in principle generally overcome, although there is a great diversity in their citizens’ income⁶. In the most developed countries there are also no plagues that civilizationally deteriorate societies, which the UN started fighting against in the afore mentioned “Millennium Programme”. These countries are characterized by the development of mass consumption. It also happens that in social classes with the highest income a snobbish as well as demonstrative consumption is cultivated, which has resulted in the market anomaly known as Veblen's effect in the economic literature.

The differences between the highly and poorly developed countries presented here just in a broad outline are sufficient enough to claim that these two groups of countries are totally different worlds. In this context the discussion on globalization and convergence in the functioning of the world economy acquires special importance. Although it is true that these processes take place, but they are in two entirely different standards. On the one hand we

⁶ In the richest countries, in spite of significant diversity of societies regarding income, these differences (measured with the use of Gini index) are statistically much smaller than in the countries suffering from poverty. In the underdeveloped countries the richest 20% of the population receives about 25 – 50 times more income than the poorest 20%. The same relation is formed on the ten times lower level in the highly developed countries. Source: “World Development Index 2002, The World Bank.”

deal with the standards of poverty, hunger, diseases, illiteracy and the like phenomena that occur on a mass scale. It is a standard that is not generally observed in interpretations of globalization processes. It is so because these interpretations are based on standards of production, consumption and mass culture at the same time which are attributes of economies and societies in the highly developed countries.

2. Dilemmas of developmental polarization of the world

As expected, this above-presented bipolarity does not exhaust the diversity of development of the economy on a world scale. In the structure of the world economy there are also two other groups of countries. The first one consists of 55 countries defined by the World Bank as “lower-middle-income economies” in which the income per capita is between \$906 and \$3,595, whereas the second group consists of 41 countries in which the income per capita is between \$3,596 and \$11,115, and is referred to as “upper-middle-income economies”⁷. It may be assumed that these two groups are on a stage of developmental boost, especially the latter one. The first one, however, is closer to the pole of poverty rather than of prosperity.

The existence of economies on an average level of development that are between the poverty and prosperity poles has, undoubtedly, a mitigating influence on developmental dissonances on a world scale, but it does not remove them. At the same time it proves, to the countries remaining in dire poverty, that some of them succeed in crossing the borderline of “the vicious circle of poverty”. Thus it is in the overcoming of the barrier between stagnation and development and then sustaining the initiated development where the problem is. The fundamental issue here are the factors that would make a revival of the developing processes (forces) possible.

The system- and institutional solutions functioning in a given country have an original significance among the factors of development. Essentially the point is to put in order, or to better organise societies. At present various political systems are operating in the world. In the highly developed countries these are usually the systems that are in favour of the development of market economy. However, it is commonly known that effective development of economy is not possible without market⁸. During the whole millennia of existence of economy without market (natural economy), the economic development measured by accumulated product was many times lower than

⁷ Country Classification..., op. cit.

⁸ See J. Wisniewski, op. cit.

during the last few centuries of market economy⁹. The so-called real socialism (communism) was also inefficient in respects of development. In that system market was replaced by central management of the economy that was based on arbitrary (political) criteria used in decision-making.

As a result, this economy was characterized by expansion without any economic calculation, which led to desolation (self-destruction) of the economy¹⁰.

In economically underdeveloped countries there are usually social and political systems that are hybrid in character. They emerged from the connection of early ways of functioning of societies with certain elements of modern solutions. At the same time, it is these early ways of organizing public life, the ones originating from the epoch of natural economy, that dominate there. A certain regularity may be even observed: the more distant genealogical history a social and political system has, the deeper is the economic backwardness. In countries of extreme poverty there are usually tribal solutions or slave-feudal ones or a combination of the two. These are the social and political systems with a very powerful functioning of homeostatic mechanisms that fix the status quo. Thus ordering public and political life in the countries with extreme poverty constitutes a barrier to any developmental activities based on innovation; it also is barrier to economic growth¹¹.

Another group of factors of great significance for the economic development are human, physical, financial, and technological resources. As far as disposal of resources is concerned there is a great gap between developed and underdeveloped countries, including those extremely poor.

Human resources in poor and highly developed countries substantially differ from each other in respect of qualifications, education as well as attitude and cultural awareness. In the poor countries there is overpopulation and at the same time great shortage of skilled workers, which limits the possibility of influx of direct foreign investment and generally prevents the development of production based on modern technology. What is more, extreme retardation in education resulting even in illiteracy on a great scale makes it impossible not

⁹ See and compare A. Maddison, (2002), *The World Economy: A Millennia Perspective*, Paris, OECD.

¹⁰ See: J. Wisniewski, op. cit., p. 111 and following.

¹¹ Compare. J. P. Smits, "Economic Growth and Structural Change in Sub Saharan Africa during the Twentieth Century: New Empirical Evidence and Outlook to 2030", Paper presented at the Conference World Economic Performance: Past present and Future, University of Groningen, October 27th 2007, p. 19-20.

only to use modern technology, but also traditional technologies of the industrial era¹².

With reference to human resources in the countries of extreme poverty a statement that the aforementioned traditional structures of social order support traditional, and de facto historically regressive attitudes and cultural awareness, seems reasonable. In the context of the functioning of barriers to development processes the issue is that in the poorest countries large groups of their societies do not feel the need for earning (profit). Meeting their current needs is enough for them, which incidentally is a very difficult goal to reach in the conditions of malnutrition and hunger that are common in those countries. Nevertheless, a society without a commonly approved earning motive, thus without the acceptance of the homo oeconomicus pattern, does not have a chance to develop. Then there is a shortage of motor force that would start processes of development and afterwards maintain them.

There are two kinds of physical resources which determine the processes of development. On the one hand these are natural resources, and on the other one the material infrastructure in a society that has been reached so far. As far as natural resources are concerned the matter is evident. Societies and countries with natural resources useful in economic activities are privileged and gain profit, if these resources are significant. At the same time they have easier start in development¹³.

The aforementioned material infrastructure of a society is otherwise an accomplishment of previous generations, or previous periods to be more exact. This infrastructure is gradually expanded and shows cumulative tendencies. However, the tendencies of expansion and growth of the material infrastructure may be disrupted by qualitative turns in development that take place in the economy. Such a situation characteristic for the countries that have been advancing to the stage of post-industrial development for the past decades. Many manufacturing plants are physically liquidated as a consequence of these transformation processes.

In the case of physical resources the situation in the highly and poorly developed countries remains diametrically different. Undoubtedly, a well developed material infrastructure that results from a former development is an attribute of well developed countries. It is a significant value that dynamizes the processes of development even when a country does not have significant natural resources. In the poorly developed countries there is no such infrastructure.

¹² Illiteracy is so important an issue in the underdeveloped countries, that fighting against it was declared as one of the basic "millennium goals" announced by the UN. See: "The Millennium Development Goals Report", op. cit., pp. 10 -11.

¹³ Spectacular results in development have been achieved by countries that have and extract petroleum, which several years ago were still underdeveloped.

However, if natural resources are found in those countries, they are the basis for revival of development, and thus for leaving the state of extreme poverty even when there is only well developed raw material, and not processing, sector in the economy. In other words, economies in countries belonging to the pole of poverty (“low – income economies”) do not have large physical resources whatsoever.

The situation of the remaining resources, that is financial and technological ones, is similar to that described above. In poorly developed countries, also with regard to these resources the situation is not favourable, i.e. there is a great shortage of these. This statement is obviously a truism. If the situation were different, a given country would not belong to the group of the poorly developed ones.

Direct foreign investment could be a solution to the problem of shortage of financial and technological resources. Unfortunately, poorly developed countries are not an attractive place to invest money for foreign investors, just because of the state of human resources mentioned above or underdevelopment and, in extreme cases, a lack of infrastructure as such. This is why in practice the influx of direct foreign investment into poorly developed countries is relatively low and does not have a significant effect on solving the problems of shortage of financial and technological resources . [See and compare table 3].

Table 3. FDI inflows by region, 2003 – 2005 (millions of dollars)

Host region	2003	2004	2005
World	557 869	710 755	916 277
Developed economies	358 539	396 145	542 312
Developing economies	175 138	275 032	334 285
All developing economies excluding China	121 633	214 402	261 879
Africa	18 513	17 199	30 672
Latin America and the Caribbean	46 137	100 506	103 663
Asia and Oceania	110 489	157 328	199 951
South Asia	5 729	7 301	9 765
South-East Asia	19 920	25 666	37 136
Oceania	352	705	397
Least developed 50 countries	10 868	8 740	9 680

Source: World Investment Report 2006, United Nations, New York and Geneva 2006, pp. 298 – 302.

The diversity and the shown bipolarity of economic development in the world puts in the first place the dilemma of overcoming the development barriers by poor countries, especially by the extremely poor ones. This dilemma has not been solved so far and it is difficult to predict whether it will be possible to do so in a none-too-distant future. Nevertheless, it is not the only challenge that the world has to face in connection with the diversity of the levels of

economic development. The next two questions and answers to them also seem to be very important in the discussed context.

The first of these questions is connected with a hypothetical issue whether the world is capable of bearing the costs (consequences) of significant and conducted on a large scale balancing the level of economic development. It is known that the present, diverse development has significantly strained the state of non-renewable resources that are at mankind's disposal. There are different calculations in this regard, yet one does not need any special imagination to notice the problem of the resource-based limits of development. Obviously, technological development and substitution of the resources and discoveries of new deposits of natural resources (for example deposits of petroleum recently discovered in Brazil), successfully put off the time of depletion of them into the future. However, the problem is still increasing. At present, the most difficult situation is connected with the resources that are of great importance for people, both in the case of production and existential. It is natural environment, and the problem is its degradation on a world scale that is still progressing and puts people as a species in danger.

Paradoxically, the situation of environmental protection is being worsened by inflows of direct foreign investment. It is because of this investment that the transfer of dirty technologies is taking place. It consists in a transfer of production that is burdensome for natural environment from the developed countries to the poorly developed ones that are characterized by lower ecological standards, and thus by lower costs. Incidentally, this process has been for many years supported by the World Bank as part of the Structural Adjustment Programme (SAP) which was originally established to help to introduce the principles of market economy in the poorly developed countries.

The next question and at the same time the problem of significant diversity in the economic development on a world scale is connected with the fact that this diversity may not be reduced realistically in a predictable time. Thus the world is forced to function with this flaw. This is why there is an unquestionable need to take actions that would consistently soften the results of the large diversity of material standards of living. In this respect the action initiated by the UN, humanitarian in character stimulating solidarity among nations, called „Millennium Goals”, deserves full approval.¹⁴

IN addition to the humanitarian aspects connected with the existence of poverty and its grievous direct effects on numerous societies, a particular threat has appeared in the last decades. Diversity in the state of possession as well as in living standards has caused conflicts since the beginning of mankind. Robberies and wars are its evident manifestation. The whole history of mankind, as well as the present day, are marked by them. Wars take place somewhere in the world

¹⁴ See: The Millennium Development Goals Report, op. cit., p. 4 and following.

all the time. Regardless of how they are justified, their causes are most often connected with rivalry for the access to material resources. The significance of the present day consists in terrorism as a new, increasingly popular form of war. It is a way of waging a war that threatens not only direct participants. With the current military technology, conflicts that translate into acts of terrorism may be dangerous for the whole world.

3. Final remarks

Drastic diversity in the economic development on a world scale is an undeniable fact. Outcomes of this differentiation are manifold. They are significant for those living in poverty and for those enjoying welfare. The former live in exceptionally difficult circumstances and are exposed to biological threats, such as hunger and epidemics. Financial welfare, which is characteristic for a significant minority of people, has also its weak points. This is caused, among other things, by moral encumbrance of consumer surfeit while others starve, pursuit of money, and commercialization, including cultural areas life and those related to customs. This actually denotes degradation of man to the homo oeconomicus pattern, deprived of humanistic values.

However, the truth is that those living in poverty as a rule would like to change their lives and to experience the shortcomings of the lives of the financially prosperous. Many countries and nations, however, have no chance to change their lives in the near future. Nevertheless, some are successful. An entry on the path of accelerated development is possible, as recent history shows, in two instances:

- when deposits of natural resources are discovered,
- or
- when particular mobilization of people for the development of market economy occurs.

The former situation is in fact a pure coincidence. The latter way of escape from the “vicious circle of poverty” demands an outright determination of the people and their forbearance to the costs of accelerated development. This usually denotes ascetic consumption for a longer period of time. Incidentally, this latter way seems to be the speciality of Asian nations. This is exemplified by so-called “small tigers of Asia”, which today are followed by China and in part also India.

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