Why the gap between Rich and Poor Nations?

By Kyle Rakos

There is an obvious and pronounced gap between rich and poor nations. According to data from the World Bank, the GDP of the ten richest countries make up over 65% of the world's GDP while the poorest ten make up less than 0.006% of the world's GDP[1]. While there are many reasons for this gap, there are two main reasons that serve to explain nearly all of the gap. Due to visible differences between good and poor leadership in Africa, viewing the results of corruption throughout the world, and geographic indicators of poor countries, the primary economic gap between rich and poor nations is due to poor institutions and poor geographic locations.

Poor institutions consist of poor leaders which leads to poor countries. Nowhere is this more evident than on the African countries. According to entrepreneur Fred Swaniker, "When societies have strong institutions, the difference that one good leader can make is limited, but when you have weak institutions, then just one good leader can make or break that country."[2] According to the same source there have been three modern generations of African leaders: good leaders who brought independence to the continent, followed by poor leaders who brought death and destruction, followed by leaders who are currently rebuilding the continent. When Fred Swaniker initially moved to Zimbabwe he was greeted with a strong, growing economy. However, when President Robert Mugabe rose to power and started making poor decisions, the country quickly regressed into poverty. This is the perfect example of how a poor leader creates a poor institution which results in economic ruin. Additionally, it shows that when there are good leaders there are good institutions with prosperity resulting.

Another way poor institutions are shown to lead to poverty is by viewing the effects of corruption. Corruption often takes the form of misappropriated money. This leads to loss of money for vital governmental services such as police, education, health, and transport[3]. Without these services there is no guarantee of property rights, a basic necessity for a successful economy. As a general rule of thumb rich countries have better institutions while poor countries have worse institutions. It is estimated that half of the word's twenty poorest countries' wealth goes to offshore accounts[3]. This amounts from $10 to $20 billion annually. Meanwhile rich countries are able to provide the needed governmental services for businesses to thrive. Part of the reason this corruption exists is due to the concept of cronyism. Cronyism may not be considered a form of corruption for some cultures, but rather a way of life. However, cronyism favors the hiring of family and friends at the expense of more skilled workers. This essentially negates the talent of the entire country, therefore, ensuring poor leadership and corruption will continue.

The final key reason for the gap between rich and poor nations is the geographic regions of the countries. Most of the world's poorest countries are located in tropical regions. These regions have less nutritious plants, worse soil for growing, and less productive domesticated farm animals[3]. Furthermore, a multitude of tropical diseases that affect humans are located primarily in these regions. According to *The School of Life*, 16^{o}C is the temperature that differentiates between rich and poor countries. While apparently superficial and arbitrary, this difference shows an interesting trend between climate and wealth. Furthermore, many poor nations have very poor transportation. This is a result of minimal navigable rivers and many landlocked nations.

While the large gap between rich and poor nations has many causes, it has been shown that the main reason is due to poor institutions with poor leaders and poor geographic placement. These causes can very accurately predict either economic prosperity or economic ruin. Good leaders are important for good institutions, and corruption needs to be prevented for economies to thrive. Additionally, special attention needs to be paid to the unique hardships certain geographic regions introduce. Fortunately, by knowing the key causes of this large economic gap enables humans to better address the problems.

1. *GDP at Market Price*. The World Bank, n.d. Web. 23 Jan. 2016. <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries/1W?order=wbapi_data_value_2014%20wbapi_data_value%20wbapi_data_value-last&sort=desc&display=default>.
2. "Fred Swaniker: The Leaders Who Ruined Africa, and the Generation Who Can Fix It." *YouTube*. Ted, 21 Oct. 2014. Web. 23 Jan. 2016. <https://www.youtube.com/watch?v=kcEIsbO0ivA>.
3. "Why Some Countries Are Poor and Others Rich." *YouTube*. The School of Life, 24 Nov. 2014. Web. 23 Jan. 2016. <https://www.youtube.com/watch?v=9-4V3HR696k>.