

A poverty trap model for developing countries

Health and education is acknowledged to be key elements in development. But offering health products and education is not enough; it must be affordable, income must be generated and knowledge transferred to the local economies to fund societal infrastructure. The model illustrates the relationship between drivers or barriers to economic activity in a local economy; the Catch 22 for developing societies stuck between traditional cultures and modern poverty. Market failure, inadequate information, education and lack of societal institutions impede the workings of the economy. Bad health and poverty is reinforced and in some cases crimes and unstable environments are the results. It is difficult to distinguish cause from effect of underdevelopment, and what triggers development in specific cultures. Investors and business people like most humans favour to invest in well known areas or countries where other entrepreneurs are present and infrastructure already emerging. It is risky and sometimes expensive to be the first, thus putting a competitive disadvantage on poor traditional societies without modern institutions and economic infrastructure.

