

The Geography of Poverty and Wealth

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Why are some countries stupendously rich and others horrendously poor? Social theorists have been captivated by this question since the late 18th century, when Scottish economist Adam Smith addressed the issue in his magisterial work *The Wealth of Nations*. Smith argued that the best prescription for prosperity is a free-market economy in which the government allows businesses substantial freedom to pursue profits. Over the past two centuries, Smith's hypothesis has been vindicated by the striking success of capitalist economies in North America, western Europe and East Asia and by the dismal failure of socialist planning in eastern Europe and the former Soviet Union.

Smith, however, made a second notable hypothesis: that the physical geography of a region can influence its economic performance. He contended that the economies of coastal regions, with their easy access to sea trade, usually outperform the economies of inland areas. Although most economists today follow Smith in linking prosperity with free markets, they have tended to neglect the role of geography. They implicitly assume that all parts of the world have the same prospects for economic growth and long-term development and that differences in performance are the result of differences in institutions. Our findings, based on newly available data and research methods, suggest otherwise. We have found strong evidence that geography plays an important role in shaping the distribution of world income and economic growth.

Coastal regions and those near navigable waterways are indeed far richer and more densely settled than interior regions, just as Smith predicted. Moreover, an area's climate can also affect its economic development. Nations in tropical climate zones generally face higher rates of infectious disease and lower agricultural productivity (especially for staple foods) than do nations in temperate zones. Similar burdens apply to the desert zones. The very poorest regions in the world are those saddled with both handicaps: distance from sea trade and a tropical or desert ecology.

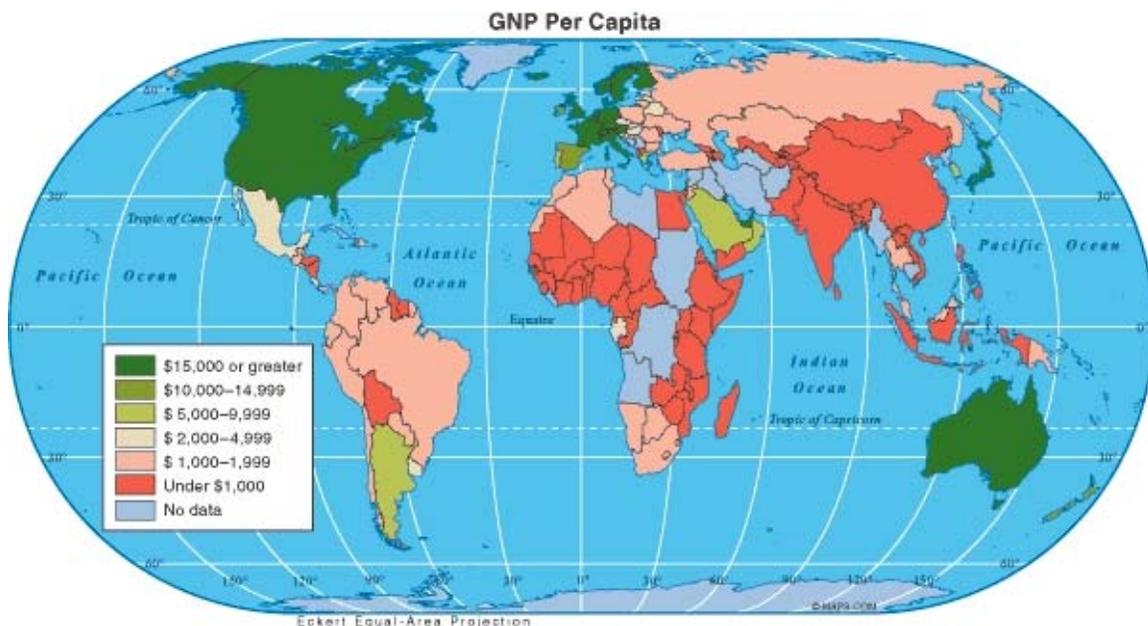
A skeptical reader with a basic understanding of geography might comment at this point, "Fine, but isn't all of this familiar?" We have three responses. First, we go far beyond the basics by systematically quantifying the contributions of geography, economic policy and other factors in determining a nation's performance. We have combined the research tools used by geographers – including new software that can create detailed maps of global population density – with the techniques and equations of macroeconomics.

Second, the basic lessons of geography are worth repeating, because most economists have ignored them. In the past decade the vast majority of papers on economic development have neglected even the most obvious geographical realities.

Third, if our findings are true, the policy implications are significant. Aid programs for developing countries will have to be revamped to specifically address the problems imposed by geography. In particular, we have tried to formulate new strategies that would help nations in tropical zones raise their agricultural productivity and reduce the prevalence of diseases such as malaria.

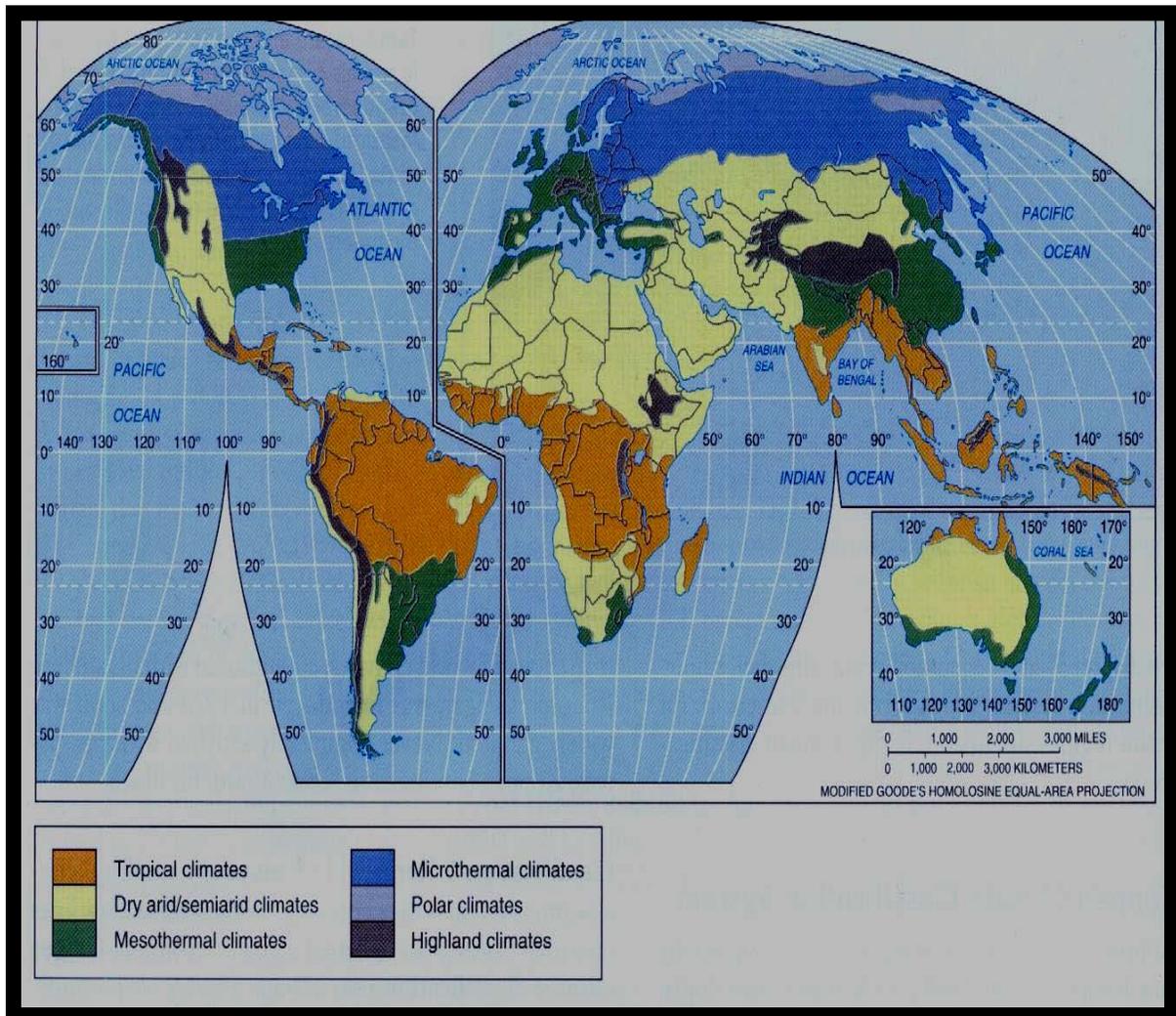
The Geographical Divide

The best single indicator of prosperity is gross national product (GNP) per capita – the total value of a country's economic output, divided by its population. A map showing the world distribution of GNP per capita immediately reveals the vast gap between rich and poor nations [see map below]. Notice that the great majority of the poorest countries lie in the geographical tropics – the area between the tropic of Cancer and the tropic of Capricorn. In contrast, most of the richest countries lie in the temperate zones.



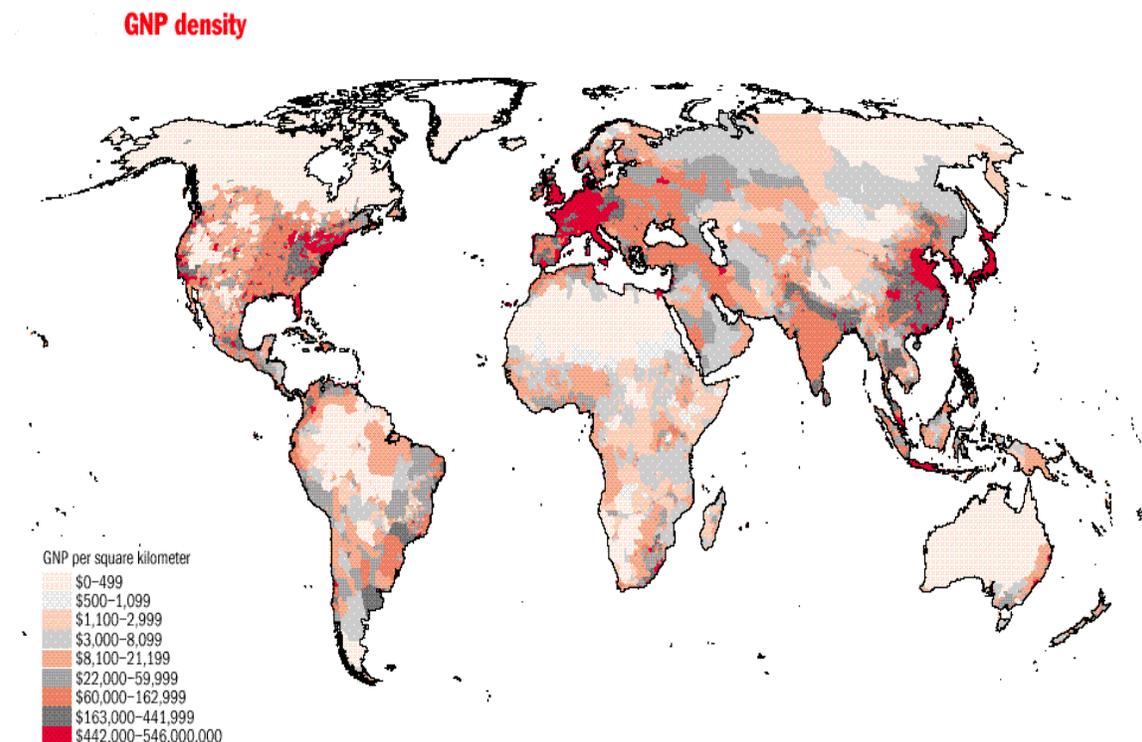
A more precise picture of this geographical divide can be obtained by defining tropical regions by climate rather than by latitude. The map below divides the world into five broad climate zones based on a classification scheme developed by German climatologists Wladimir P. Köppen and Rudolph Geiger. The five zones are tropical-subtropical (hereafter referred to as tropical), desert-steppe (desert – dry and semiarid), temperate (Meso and

Microthermal on map), highland and polar. The zones are defined by measurements of temperature and precipitation. We excluded the polar zone from our analysis because it is largely uninhabited.



Among the 28 economies categorized as high income by the World Bank (with populations of at least one million), only Hong Kong, Singapore and part of Taiwan are in the tropical zone, representing a mere 2 percent of the combined population of the high-income regions. Almost all the temperate-zone countries have either high-income economies (as in the cases of North America, Western Europe, Korea and Japan) or middle-income economies burdened by socialist policies in the past (as in the cases of eastern Europe, the former Soviet Union and China). In addition, there is a strong temperate-tropical divide within countries that straddle both types of climates. Most of Brazil, for example, lies within the tropical zone, but the richest part of the nation – the southernmost states – is in the temperate zone.

The importance of access to sea trade is also evident in the world map of GNP per capita. Regions far from the sea, such as the landlocked countries of South America, Africa and Asia, tend to be considerably poorer than their coastal counterparts. The differences between coastal and interior areas show up even more strongly in a world map delineating GNP density – that is, the amount of economic output per square kilometer [see map below].



Source: Sachs, Mellinger, and Gallup (2001).

This map is based on a detailed survey of global population densities in 1994. Geographic information system software is used to divide the world's land area into five-minute-by-five-minute sections (about 100 square kilometers at the equator). One can estimate the GNP density for each section by multiplying its population density and its GNP per capita. Researchers must use national averages of GNP per capita when regional estimates are not available. To make sense of the data, we have classified the world's regions in broad categories defined by climate and proximity to the sea. We call a region "near" if it lies within 100 kilometers of a seacoast or a sea-navigable waterway (a river, lake or canal in which oceangoing vessels can operate) and "far" otherwise. Regions in each of the four climate zones we analyzed can be either near or far, resulting in a total of eight categories. The table on the next page shows how the world's population, income and land area are divided among these regions.

The breakdown reveals some striking patterns. Global production is highly concentrated in the coastal regions of temperate climate zones. Regions in

the "temperate-near" category constitute a mere 8.4 percent of the world's inhabited land area, but they hold 22.8 percent of the world's population and produce 52.9 percent of the world's GNP. Per capita income in these regions is 2.3 times greater than the global average, and population density is 2.7 times greater. In contrast, the "tropical-far" category is the poorest, with a per capita GNP only about one third of the world average.

Interpreting the Patterns

In our research we have examined three major ways in which geography affects economic development. First, as Adam Smith noted, economies differ in their ease of transporting goods, people and ideas. Because sea trade is less costly than land- or air-based trade, economies near coastlines have a great advantage over hinterland economies. The per-kilometer costs of overland trade within Africa, for example, are often an order of magnitude greater than the costs of sea trade to an African port. Here are some figures we found recently: The cost of shipping a six-meter-long container from Rotterdam, the Netherlands, to Dar-es-Salaam, Tanzania – an air distance of 7,300 kilometers – was about \$1,400. But transporting the same container overland from Dar-es-Salaam to Kigali, Rwanda – a distance of 1,280 kilometers by road – cost about \$2,500, or nearly twice as much.

Second, geography affects the prevalence of disease. Many kinds of infectious diseases are endemic to the tropical and subtropical zones. This tends to be true of diseases in which the pathogen spends part of its life cycle outside the human host: for instance, malaria (carried by mosquitoes) and helminthic infections (caused by parasitic worms). Although epidemics of malaria have occurred sporadically as far north as Boston in the past century, the disease has never gained a lasting foothold in the temperate zones, because the cold winters naturally control the mosquito-based transmission of the disease. (Winter could be considered the world's most effective public health intervention.) It is much more difficult to control malaria in tropical regions, where transmission takes place year-round and affects a large part of the population.

According to the World Health Organization, 300 million to 500 million new cases of malaria occur every year, almost entirely concentrated in the tropics. The disease is so common in these areas that no one really knows how many people it kills annually – at least one million and perhaps as many as 2.3 million. Widespread illness and early deaths obviously hold back a nation's economic performance by significantly reducing worker productivity. But there are also long-term effects that may be amplified over time through various social feedbacks.

For example, a high incidence of disease can alter the age structure of a country's population. Societies with high levels of child mortality tend to have high levels of fertility: mothers bear many children to guarantee that at least some will survive to adulthood. Young children will therefore constitute a

large proportion of that country's population. With so many children, poor families cannot invest much in each child's education. High fertility also constrains the role of women in society, because child rearing takes up so much of their adult lives.

Third, geography affects agricultural productivity. Of the major food grains – wheat, maize and rice – wheat grows only in temperate climates, and maize and rice crops are generally more productive in temperate and subtropical climates than in tropical zones. On average, a hectare of land in the tropics yields 2.3 metric tons of maize, whereas a hectare in the temperate zone yields 6.4 tons. Farming in tropical rain-forest environments is hampered by the fragility of the soil: high temperatures mineralize the organic materials, and the intense rainfall leaches them out of the soil. In tropical environments that have wet and dry seasons—such as the African savanna—farmers must contend with the rapid loss of soil moisture resulting from high temperatures, the great variability of precipitation, and the ever present risk of drought. Moreover, tropical environments are plagued with diverse infestations of pests and parasites that can devastate both crops and livestock.

Many of the efforts to improve food output in tropical regions—attempted first by the colonial powers and then in recent decades by donor agencies—have ended in failure. Typically the agricultural experts blithely tried to transfer temperate-zone farming practices to the tropics, only to watch livestock and crops succumb to pests, disease and climate barriers. What makes the problem even more complex is that food productivity in tropical regions is also influenced by geologic and topographic conditions that vary greatly from place to place. The island of Java, for example, can support highly productive farms because the volcanic soil there suffers less nutrient depletion than the non-volcanic soil of the neighboring islands of Indonesia.

Moderate advantages or disadvantages in geography can lead to big differences in long-term economic performance. For example, favorable agricultural or health conditions may boost per capita income in temperate-zone nations and hence increase the size of their economies. This growth encourages inventors in those nations to create products and services to sell into the larger and richer markets. The resulting inventions further raise economic output, spurring yet more inventive activity. The moderate geographical advantage is thus amplified through innovation.

In contrast, the low food output per farm worker in tropical regions tends to diminish the size of cities, which depend on the agricultural hinterland for their sustenance. With a smaller proportion of the population in urban areas, the rate of technological advance is usually slower. The tropical regions therefore remain more rural than the temperate regions, with most of their economic activity concentrated in low-technology agriculture rather than in high-technology manufacturing and services.

We must stress, however, that geographical factors are only part of the story. Social and economic institutions are critical to long-term economic performance. It is particularly instructive to compare the post-World War II performance of free-market and socialist economies in neighboring countries that share the same geographical characteristics: North and South Korea, East and West Germany, the Czech Republic and Austria, and Estonia and Finland. In each case we find that free-market institutions vastly outperformed socialist ones.

The main implication of our findings is that policymakers should pay more attention to the developmental barriers associated with geography—specifically, poor health, low agricultural productivity and high transportation costs. For example, tropical economies should strive to diversify production into manufacturing and service sectors that are not hindered by climate conditions. The successful countries of tropical Southeast Asia, most notably Malaysia, have achieved stunning advances in the past 30 years, in part by addressing public health problems and in part by moving their economies away from climate-dependent commodity exports (rubber, palm oil and so on) to electronics, semiconductors and other industrial sectors. They were helped by the high concentration of their populations in coastal areas near international sea lanes and by the relatively tractable conditions for the control of malaria and other tropical diseases. Sub-Saharan Africa is not so fortunate: most of its population is located far from the coasts, and its ecological conditions are harsher on human health and agriculture.

The World Bank and the International Monetary Fund, the two international agencies that are most influential in advising developing countries, currently place more emphasis on institutional reforms—for instance, overhauling a nation's civil service or its tax administration—than on the technologies needed to fight tropical diseases and low agricultural productivity. One formidable obstacle is that pharmaceutical companies have no market incentive to address the health problems of the world's poor. Therefore, wealthier nations should adopt policies to increase the companies' motivation to work on vaccines for tropical diseases. In one of our own initiatives, we called on the governments of wealthy nations to foster greater research and development by pledging to buy vaccines for malaria, HIV/AIDS and tuberculosis from the pharmaceutical companies at a reasonable price. Similarly, biotechnology and agricultural research companies need more incentive to study how to improve farm output in tropical regions.

The poorest countries in the world surely lack the resources to relieve their geographical burdens on their own. Sub-Saharan African countries have per capita income levels of around \$1 a day. Even when such countries invest as much as 3 or 4 percent of their GNP in public health—a large proportion of national income for a very poor country—the result is only about \$10 to \$15 per year per person. This is certainly not enough to control endemic malaria, much less to fight other rampant diseases such as HIV/AIDS, tuberculosis and helminthic infections.

A serious effort at global development will require not just better economic policies in the poor countries but far more financial support from the rich countries to help overcome the special problems imposed by geography. A preliminary estimate suggests that even a modest increase in donor financing of about \$25 billion per year—only 0.1 percent of the total GNP of the wealthy nations, or about \$28 per person—could make a tremendous difference in reducing disease and increasing food productivity in the world's poorest countries.

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