# **DEVELOPED AND UNDERDEVELOPED ECONOMIES: WHAT'S THE DIFFERENCE?**

**Our modern world is amazingly diverse. Rich and poor, developed, developing and underdeveloped countries cooperate with each other. However, how do they differ from each other? And what is the difference between development and underdevelopment in their economy? Which states are economically developed? Be sure to find all the answers in this post.**

## **What are development and underdevelopment?**

To understand everything correctly and properly, you are to know and differentiate two main terms within the country economy sector. So, let's find out how developments and underdevelopment terms can reflect the state of the country being.

### **What is development?**

Developed countries are those occupying leading places in modern world economy and politics. All of them have such main common features: high living standards, open government, the rapid science development, the free active introduction of high technologies within the production, agriculture and other spheres of life and human activities.

Economically developed countries unlike the underdeveloped ones are countries with a market economy and the highest living standard of their citizens .

Today, the economically developed countries are the primary carriers of the global scientific and technological potential. In many ways, this particular feature is a significant factor in their economies competitiveness.

Among all the developed countries, the “group of seven (G7)” most developed countries are distinguished. These include the United States, Japan, Canada, France, Germany, the United Kingdom, and Italy.

Thus, having underlined the main features of developed countries, let's speak about underdevelopment definition.

### **What is under development?**

The underdeveloped countries are described as those which are subjected to significant social and economic transformations, especially industrialization and modernization. The underdevelopment means the process under which the country, especially its economy, changes under the influence of other dominant countries.

### **What are the main differences between development and underdevelopment?**

Now, knowing the definitions of developed and underdeveloped countries, let's discuss their main differences more precisely, outlining the most significant ones for the country economy sector.

#### **The main characteristics of development and underdevelopment within the country economy are the following:**

* The first characteristics of underdeveloped countries worth speaking about is a low **human capital**, providing the labor force to have poor skills, which leads to poor labor productivity. While for developed countries typical are high levels of human capital, providing the labor force to be significantly educated and skilled. This makes it easier to engrain new technology continuously, causing high labor productivity.
* Another important aspect which influences the economy a lot is a **social infrastructure, roads, bridges, etc**. Bad infrastructure in the underdeveloped countries can cease goods and services production, limit the market’s growth on selling these products, causing low labor mobility and productivity. While the developed countries’ infrastructure is advanced and can both significantly simplify productivity as well as provide a rapid market growth.
* The next point is **a financial infrastructure**, which is badly developed with a primitive banking sector in the underdeveloped countries. But it is modern and well established with all the modern, effective banking means in the developed countries. Therefore, the developed countries present rapid financial transactions, which reduces the unit trade cost accordingly.
* The other point is **an educational sector**, presented by educational institutions, labor training institutions and others, which are not in a sufficient amount for underdeveloped countries. That is why people there do not have an opportunity to learn the modern economic techniques of goods and services production and distribution.
* **The political systems**, as well as the general political, social, cultural and economic situation, are not stable in the underdeveloped countries. All these prevent the successful growth and development of the economy in such countries. While in well-developed countries the political systems alongside the political, social, cultural and economic environment are stable providing the well-established democracies.
* Here let's compare **how modern technology is researched and developed**. In most underdeveloped countries there can be some researches and practices committed at a low level, but nothing more. However, the developed countries technology sector is shown to be significantly emphasized and invested in for a prosperous future.
* **Export**in these two economies is also greatly different. While undeveloped countries export their primary agricultural goods and other raw materials for a high weight to price ratio with earning a very little money for it, the developed countries export high technology goods, such as planes, or others advanced electronic goods for a low weight to price ratio with earning a lot of money.
* Therefore, all these reduce the capability of underdeveloped countries to **import** new goods and services, making it impossible to come out of the vicious poverty circle. But everything is slightly different within the developed countries. They can import fresh goods and services, and it makes them stay afloat within the economic prosperity of their country.

Of course, these are not all the differences, since there are lots of them, and it will take very long to list them all. Thus, we have found and outlined the most important ones.