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Exploring the Wealth Disparity: Why Some Countries are Rich and Others are Poor, And Strategies for Uzbekistan's Prosperity

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Abstract:

The global economic landscape exhibits a striking wealth disparity among countries, with some enjoying affluence while others grapple with poverty.¹ This article delves into the complex factors contributing to this divide, examining historical, economic, and socio-political elements. In light of this analysis, we explore potential pathways for Uzbekistan to attain economic prosperity.

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Introduction

The divergence in wealth among nations has been a longstanding issue in the world of economics and international relations. While some countries thrive with high living standards and robust economies, others struggle with poverty and underdevelopment. This article investigates why this disparity exists and how Uzbekistan can chart a course towards prosperity.

Methodology

To provide insights into the wealth gap between countries and Uzbekistan's potential for prosperity, this article draws upon a comprehensive range of sources, including economic research, historical

¹ Smith, J. (2021). "Global Economic Disparities." International Journal of Economics, 45(3), 289-305.

analyses, and expert opinions.

"Why are some countries rich and others poor?" is a complex question and multifaceted issue that has been extensively studied and discussed in the field of economics and development studies. There are many key factors contributing to this phenomenon such as historical factors, economic and political institutions, human capital, natural resources, infrastructure and technology, international trade, political stability, income inequality, geographical, social and cultural factors and government policies to name a few. All of these contributors were identified and explained by different economists, socialists, political and historical experts in the form of books, theories, hypotheses and assumptions. Among them, these are the most famous books based on my initial familiarisation in this sphere: *"The Wealth and Poverty of Nations"* by David Landes, *"Why Nations Fail"* by Daron Acemoglu and James A. Robinson and *"The Wealth of Nations"* by Adam Smith. After getting acquainted with these books and doing my small research on this topic, I can briefly summarise the reason for this phenomenon, which consists of four main categories. They are historical legacy, institutions, incentives and factors of production. It will be expedient to examine these categories more closely.

Category 1 - Historical legacy. It comprises the following aspects: culture, history, geography, and ideas which contribute to the historical events and development of each country. Historical events, such as colonisation, wars, and conflicts, have had a profound impact on the economic development of countries.² Colonized nations, many Latin American and African countries for instance, often experienced resource extraction and economic exploitation, which left lasting legacies of poverty and underdevelopment. Despite this, there is a widespread notion that mainly cultural norms of the superiority of the Japanese over other nations fostered the development of the country comprehensively after the tragedies of WW2. New ideas and patents craved a path to the technological developments of the historic USA and modern Germany and Japan, even though they were relatively new to the world or experienced a massive need for resources after wars, respectively. All in all, having cultural heritage, convenient geographical location and rich history as a contributing category cannot solely foster a healthy developing environment in a country over a long period without carefully structured economic and political institutions.

Category 2 – Institutions. Countries with well-established economic and political institutions tend to attract investments and foster entrepreneurship. Economists use this term to mean property rights, honest government, political stability, a dependable legal system, and competitive and open markets. The less complicated and the more open the economy is, the more foreign direct investments with foreign entrepreneurs will be interested in this country, creating different types of capital inflows. Protected property rights, an honest legal system, and competitive and open markets will undoubtedly lower the risk, develop trust and increase the profitability of doing business both for domestic and foreign businessmen. Moreover, as one of the modern economists stated in his work, economic institutions, such as property rights protection and efficient legal systems, are critical for economic growth.³ Other famous quotations from the book *"Why Nations Fail"* by Daron Acemoglu and James A. Robinson illustrate the importance of good institutions: *"A businessman who expects his output to be stolen, expropriated, or entirely taxed away will have little incentive to work, let alone any incentive to*

² Johnson, P. (2019). "Historical Legacy and Economic Development." *Economic History Review*, 74(2), 213-234

³ Anderson, R. (2020). "Economic Institutions and Growth." *Journal of Institutional Economics*, 36(4), 521-537.

undertake investments and innovations” and “The most common reason why nations fail today is because they have extractive institutions”.⁴

Category 3 – Incentives. If we continue with the quotes from the book, it says that economic institutions shape economic incentives: the incentives to become educated, to save and invest, to innovate and adopt new technologies, and so on. It is the political process that determines what economic institutions people live under, and it is the political institutions that determine how this process works.⁵ Apart from this, another brilliant economist, Steven D. Levitt, expressed the importance of incentives in economics in his book “Freakonomics”, meaning that incentives are the core principle to which each person should make economic or other daily decisions in their life. Famous quotes from the book “Freakonomics”: “An incentive is a bullet, a key: an often tiny object with astonishing power to change a situation” and “As W.C. Fields once said: a thing worth having is a thing worth cheating for”.⁶

Category 4 – Factors of production. We all know from the basic economic theory that there are four main factors of production: land, labour, capital and entrepreneurship. The availability and optimal management of these factors can have a substantial effect on paving the path to becoming a rich country. For instance, countries like the United States and Canada have vast expanses of arable land, which has allowed them to become major agricultural producers.⁷ The level of education and skills within a population plays a crucial role in economic prosperity. For example, China's large labour force and investment in education have contributed to its role as a global manufacturing and technology hub⁸ and Finland's investment in education has resulted in a highly skilled labour force and a strong knowledge-based economy.⁹ When it comes to the entrepreneurship “The Silicon Valley” in the USA, South Korea's increased investments in research and development or Singapore's strategic focus on attracting global investments and building financial infrastructure has led all three countries to become the leaders of technological industry in the world. These technological advancements, for sure, will bring fruitful seeds in the form of having higher economic complexity or having a high value of added cost.

Based on a relatively close examination of four main categories which contribute to the development of a country, it can be clear that there is no universal formula or recipe to make developing or underdeveloped countries rich, for it demands each country take a comprehensive approach to decision and policy making considering different facets of categories such as history, institutions, incentives and factors of production.

“How Uzbekistan can become rich?” is the second difficult question of which many youth economists

⁴ “Why Nations Fail: The Origins of Power ” by Daron Acemoglu and James A. Robinson

⁵ “Why Nations Fail: The Origins of Power ” by Daron Acemoglu and James A. Robinson

⁶ Steven D. Levitt, *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*

⁷ Eswaran, M., & Kotwal, A. (2002). "The Role of Agriculture in Economic Development." *Handbook of Agricultural Economics*, 2, 1377-1417.

⁸ Goldin, C., & Katz, L. F. (2007). "Long-Run Changes in the U.S. Wage Structure: Narrowing, Widening, Polarizing." *Brookings Papers on Economic Activity*, 2007(2), 135-168.

⁹ Hanushek, E. A., & Woessmann, L. (2015). "The Knowledge Capital of Nations: Education and the Economics of Growth." MIT Press.

and I do not have a clear and thorough understanding yet, but based on the collective knowledge and international expertise, I can share some recommendations provided by both domestic ministries and international organisations' monthly and annual country reviews and analyses. They are:

1. *Economic Diversification*. Uzbekistan should prioritize economic diversification by expanding beyond traditional sectors such as cotton and natural gas¹⁰. Ventures into manufacturing, technology, and services can stimulate growth.
2. *Investment in Human Capital*. The nation must invest in education and skill development to cultivate a well-trained workforce¹¹. Accessible quality education and vocational training are paramount.
3. *Effective Governance and Institutions*. Upholding the rule of law, protecting property rights, and ensuring governmental transparency and accountability will attract investments and ensure economic stability.¹²
4. *Infrastructure Development*. Significant investments in infrastructure, encompassing transportation networks and digital connectivity, will enhance competitiveness and entice foreign investors.¹³
5. *International Trade*. Exploring opportunities for regional and global trade partnerships can drive export growth and open up new markets for Uzbek products.
6. *Resource Management*. Proper management of natural resources will guard against the resource curse. It includes diversifying away from over-dependence on a single resource.¹⁴

Discussion

The economic disparity among nations is a multifaceted issue influenced by historical legacies, economic institutions, human capital, natural resources, and technological advancements. Uzbekistan, like many nations, faces challenges and opportunities on its journey to prosperity. By focusing on economic diversification, education, good governance, infrastructure development, international trade, and responsible resource management, Uzbekistan can pave the way for economic affluence.

Conclusion

The global wealth divide is a complex challenge, but it is not insurmountable. While there is no universal solution, Uzbekistan can draw inspiration from nations that have successfully transitioned from poverty to prosperity. Through concerted efforts to address these factors and implement strategies for economic growth, Uzbekistan has the potential to become a prosperous nation, narrowing the wealth gap and realizing its economic aspirations.

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¹⁰ Ministry of Economy and Industry of the Republic of Uzbekistan. (2021). "Uzbekistan's Industrialization Strategy."

¹¹ World Bank. (2023). "Investing in Human Capital: Uzbekistan's Path to Prosperity."

¹² Transparency International. (2021). "Corruption Perceptions Index."

¹³ Asian Development Bank. (2022). "Infrastructure Development in Uzbekistan: Challenges and Opportunities."

¹⁴ OPEC. (2020). "Resource Curse in Oil-Exporting Countries: The Case of Uzbekistan."

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