

**The Political Economy of Underdevelopment: Power, Poverty, and  
Policy Failures**

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**Abstract**

The concept of underdevelopment indicates a nation's economic stagnation, political fragility, and social vulnerability. This article explores how internal factors such as corruption, patrimonialism, poor governance, and civil conflict intersect with external forces like global economic dependency and historical exploitation to sustain underdevelopment through tracing its discourse from Truman's 1949 inaugural speech to contemporary analyses. The article underscores how structural weaknesses, political decisions, and state failure intensify poverty, illiteracy, unemployment, and resource underutilization in the Global South. Empirical references to Zimbabwe, and thematic insights from scholars such as Myrdal, Rotberg, and Rose-Ackerman, illustrate how both state and systemic failures contribute to persistent underdevelopment. The paper concludes by emphasizing the need for holistic approaches that address both external dependencies and poor internal governance to foster sustainable development in underdeveloped regions.

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## **Introduction**

Underdevelopment is not simply an economic condition, but a complex phenomenon rooted in historical, political, and social contexts. The term first gained traction in policy and academic discourse during the mid-20th century, especially after U.S. President Harry S. Truman's 1949 address which highlighted the plight of the "underdeveloped" world. Since then, countries that are less industrialized and economically weaker have been categorized as underdeveloped, developing, or part of the Global South.

Underdevelopment reflects fragile political institutions, poor economic performance, and deteriorating social services. Scholars such as Myrdal (1974), Rotberg (2004), and Rose-Ackerman (1999) argues that underdevelopment is often man-made, perpetuated by systemic corruption, weak governance, and political instability. While modernization theory emphasizes internal barriers like traditional structures and low capacity, dependency theory attributes underdevelopment to external exploitation and structural inequalities in the global economic system.

This study employs a qualitative research approach grounded in an extensive literature review. The methodology is based on critical analysis of secondary sources, including scholarly articles, theoretical texts, historical documents, and case studies relevant to the political economy of underdevelopment. This method allows for a comprehensive, theory-informed understanding of how governance failures, corruption, conflict, and global dependency shape persistent underdevelopment in the Global South.

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This paper critically examines these varying perspectives while emphasizing the role of internal governance failures, widespread corruption, and violent conflict as key factors sustaining underdevelopment. It also assesses the overlap between internal dysfunctions and external pressures in reinforcing a cycle of poverty, social exclusion, and infrastructural decay.

### **Understanding of Underdevelopment**

Underdevelopment is an indication of the dreadful economic condition of the country. The term "underdevelopment" was first used in 1942. It was also incorporated in Truman's inaugural speech made on 20 January 1949. The debate of underdevelopment has come to the surface after this speech (Rist, 2009). The less prosperous or rich countries have been called underdeveloped, developing, less developed, third world or Global South (Dickenson et al., 1983). Underdevelopment refers to a weak and vulnerable situation of the political organization, economic characteristics, and social institution in the country. Opondo (1987) examined that underdevelopment is a process which is initiated by certain external and internal forces and is maintained either explicitly or implicitly by these forces.

Myrdal (1974; 734) argued that an underdeveloped country has grave deficiencies and weak status of economic, social, and political power. He further argued that corruption is found everywhere in underdeveloped countries which hampers economic growth and development (p.735). Rotberg (2004; 4) defined underdevelopment as "weak states typically harbor ethnic, religious, linguistic, or other inter-communal tensions that have not yet or not yet thoroughly become overtly violent. Similarly, physical infrastructural networks are deteriorating. Schools and hospitals show signs of neglect. GDP, per capita income, and other economic indicators have fallen or are falling,

sometimes dramatically, levels of venal corruption are embarrassingly high and escalating”.

Rotberg (2004) argues that the situation of underdevelopment is completely man made, not accidental phenomenon. Rotberg (2004) provided very intensive evidence of Zimbabwe’s president Robert Mugabe. The president’s corrupt rule exploited the resources of the state for his personal interests. Mugabe discouraged domestic and Foreign Direct Investment, damaged local and domestic trade commerce, harassed the press and media, weakened the judiciary and courts, squandered foreign exchange, and led his country to the edge of undernourishment. Rotberg, (2004; 27) argued that the high level of rampant and widespread corruption is one of the indicators of underdevelopment and state failure. Furthermore, weak and bad governance is an undeniable consequence, and it has often preceded insurgencies within states which contribute to underdevelopment.

According to the Collier (2000) civil war, armed conflict and violence are the major causes of underdevelopment. These activities hinder the development process and activities and promote the development of underdevelopment in the country. Collier (2000) identifies that those countries that are rich in terms of natural resources are more engaged in civil wars. This does not create an environment for the maximum utilization of natural resources. Due to this, such countries are unable to meet the development goals and become underdeveloped.

The governments weaken their civil services and highly interfere with those. The political and bureaucratic elites will engage in high levels of corruption and rent-seeking activities. Van De Walle (2004; 101) examined that

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politically motivated economic policy has resulted in economically irrational policies in the country which have triggered an economic crisis and further weakened the state mechanism and promoted underdevelopment.

Rose-Ackerman (1999; 182) found out two major sources of state weakness and underdevelopment. First, is the corrupt autocratic ruler where the system operates without strong legal norms and without an independent judiciary to check the freedom of prosecutors? Private activity is controlled by the state mechanism and people always find ways to cope with highly institutionalized corruption. It is very difficult to reform it due to the state's economic activity associated with the corrupt system. Second, underdevelopment is one with an ongoing low level of state capacity. Many criminal gangs loot money from legally running businesses and they operate illegal businesses. The government is unable to control such groups. As such groups are economically and strategically strong, it is extremely difficult to reform such a situation. As a result, the atmosphere of development in the country is destroyed and a state of underdevelopment is created.

According to Rose-Ackerman (1997) there are four interlocking issues regarding the state crisis and underdevelopment. These are substantive criminal law and low enforcement, the criminal process, and the system of punishment. He argued that criminal law operates at the boundary between the state and society. Laws against corruption, fraud, and self-dealing by officials may need to be strengthened or amended. Rose-Ackerman (1997) further argued that a lot of jails exist in the Third World countries, and it is a waste of human resources.

While reviewing the literature, underdevelopment is that condition where a low level of per capita income, high level of poverty, and illiteracy exist. Similarly,

lower status of life expectancy and underutilization of resources. The state fails to provide the basic needs of people. There is widespread misery and material deprivation as well.

### **Features of Underdevelopment**

More people are working in the agriculture sector than in the industrial sector in underdeveloped countries. Life expectancy tends to be lower and deprived of basic health services. The level of poverty is very high with fewer opportunities for employment. A higher percentage of the population is deprived of education and is illiterate. Their export economies are dependent on primary or raw products from agriculture to mining.

Opondo (1987) argues that the underdeveloped economies are dependent on nature and there are not enough job opportunities available in the markets. The size of informal economy and rural labor force working in small agricultural and family firm for subsistence are very high. The basic feature of underdevelopment is that majority of the population of these countries survive on extremely low incomes, but that scarcity is the keynote of social existence scarcity of jobs, material goods, hospital beds, school places, housing, land, skills, spare parts, potable water in fact scarcity of everything (Theobald 1990; 92).

The collection of taxes from rural labor, workers, peasants, and farmers is almost impossible due to the cash income. In the meantime, it is difficult to collect proper tax from small family firms, businesses, and petty traders. They do not formally register with the government authorities and do not have systematic bookkeeping and accounting systems as well (Andreski, 1966). Myrdal (1974; 734) argued that population growth tends to be expanding

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inequality in an underdeveloped country. Webster (1990) identified a few key features of underdevelopment. First, tends to have a larger agricultural than industrial workforce, second tends to rely on a limited number of raw materials for export, and third one is having relatively poor diets and high levels of illiteracy.

Webster (1990) further argued that underdeveloped countries are substantially different from one another. Underdeveloped countries should not be treated as a homogeneous alliance though their poor condition, illiteracy, weak rule of law, low per capita income are the most important features of majority of the underdeveloped countries. In the very core of the problem in the underdeveloped countries is corruption.

According to Theobald (1990; 86), corruption is serious institutional instability in the public sector. In the underdeveloped countries nepotism, bribery, extortion, and misappropriation are widely held to infuse every level and sector of society, from the very bottom to the top. While everyone is involved in corruption, there is no one to complain to others. Political nominees-relatives, friends, clients are regularly appointed to positions in the administration, especially the more attractive ones, i.e., those with the greatest opportunities for graft (Theobald, 1990; pp. 98-99). Similarly, personal rulership and patrimonialism are the most dominant form of government in underdeveloped countries. Roth (1968) argues that the main reason for patrimonialism in underdeveloped countries is the cultural and political heterogeneity of the states.

The underdeveloped countries do not have attractive investment opportunities (Theobald, 1990). Misappropriation, nepotism, bribery, and extortion permeate every level of the political system is common (Seibel, 1981). Gould

(1980) argued that corruption and underdevelopment are dialectically related, and each determines how the other develops. He further argued that corruption is an essential factor in reproduction of the links of dependency and exploitation which constitute the prime characteristics of underdevelopment.

While reviewing the literature we can identify the basic characteristics of underdevelopment. First, underdeveloped countries have low levels of economic growth, little capital to invest and high level of unemployment status. Second, the economy is based on the production of raw materials to export. The country does not have a manufacturing industry and capacity. Third, there are many people deprived of formal quality education and the illiteracy rate is high. Fourth, the child and infant mortality rate is high; there are fewer opportunities to have health facilities and low level of life expectancy. Fifth, there is a high level of corruption, and the state mechanism is weak. Sixth, poverty, famine, and malnutrition are found in both urban and rural areas. Seventh, personal rulership and patrimonialism are the most dominant form of government in underdeveloped countries. Finally, the development of infrastructure like communication, transportation, drinking water, sanitation, irrigation, bridge, road connectivity facilities are weak and inappropriate.

### **Causes of Underdevelopment: External vs. Internal Debate**

Why do countries fail to achieve economic growth and become underdeveloped? This is a very crucial question in contemporary times. Scholars have been trying to answer this question through various research. Different theories emerge to identify the causes of underdevelopment. The modernist approach is one of the influential perspectives in the discourse of

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underdevelopment. It believes that underdeveloped countries need to follow the development approaches and strategies of the highly industrialized countries. Rostow (1960) outlines the five stages of economic progress. These stages are traditional, pre-conditions for takeoff, the take-off, drive to maturity and the age of high mass consumption. This theory gives more emphasis on internal issues of a country becoming underdeveloped.

In contrast, the neo-Marxist dependency theory always sees that the exploitation of the underdeveloped countries by the developed countries and unequal exchanges between core and periphery countries were the main reasons for the underdevelopment (Amin, 1976). The country's system penetrating the world economy is responsible for its underdevelopment (Amin, 2010). Dependency theorists counter the modernization theorists' assumption of underdevelopment in the third world (Arrighi, 2007). The rich or core countries are more responsible for the underdevelopment of the Third World countries (Amin, 1976).

Both schools of thought have their own strengths and weaknesses. The problems of underdevelopment have a strong external problem though Lacoste (1975) strongly believed that underdevelopment is a consequence of internal factors which originate and grow from within societies. In the meantime, there is a new theory that claims that weak governance and high level of corruption lead to the underdevelopment in the country (Nageri et al., 2013). They found that corruption remains the core barrier to the development of any society and corruption and weak governance are the curse to development in the third world.

However, other scholars have mentioned some more elements of underdevelopment. First is the poverty trap. There exists less or no facility of

road connectivity, energy and power, and irrigation canals. Similarly, there exists very little human capital. The illiterate villagers are struggling just to survive and live. This kind of poverty trap leads to the development of underdevelopment. Second is physical geography. The hilly and mountainous geography of a land-locked region facing severe transportation costs and economic isolation suppress almost all forms of modern economic activities. The high transportation costs impact negatively on economic growth and development (Sachs, 2005).

Opondo (1987) examined that the exploitation of rural people by the rich and poor countries is a main reason of underdevelopment in the third world. He found three major causes of underdevelopment in the third world: colonialism, world economy and role of the ruling elite. He gave more importance to the role of the ruling elites and further argued that the great wealth of a few elites is a cause of the others in the Third World. Gould (1980) find out that the main cause of third world underdevelopment is neglecting the role of public administration, bureaucracy, and high level of administrative corruption. Similarly, Sachs (2005) found out that poverty and underdevelopment are the result of corrupt leadership. Lacoste (1975; 111) gave more emphasis on the selfish behavior of elite to promote development of the underdevelopment in the third world.

After studying on Iran and the neighboring countries Bobek (1974) disagreed with the external exploitation and colonialism and gave more emphasis on the internal reasons like rent-seeking behavior for underdevelopment of a country. In the countries he studied, small wealthy elites were not involved in productive activities and did not contribute to GDP but used the surplus produced by farmers and craftsmen. He further argued that the small group of

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elites did this by renting land and equipment to these agricultural and industrial products as well as by providing the farmers with loans at high interest rates. The appropriate surplus was mainly used to satisfy the extravagant desires of these wealthy elites (Bobek, 1974; 111). He strongly argues that the privileged minorities limit the opportunities for the large number of people in several ways and that creates underdevelopment (p.113).

Were (1983) also agreed with Bobek. He argued that underdevelopment is attached to the nature of leadership of a country. He further argued that the privileged minorities seem to think that the country was made for them to use as they please. Thus corruption, nepotism and tribalism are the order of the day when relief aid for the poor rural people comes into the country from international organizations most of it finds its way into the pockets of the so-called officials in charge... corruption is a deadly malaise because it has crippled most of the economies of the underdeveloped countries. Leading in corruption are the countries' leaders, some of whom use the country's financial resources as their private properties (p. 115).

Mauro (1998) found that high levels of corruption are associated with lower levels of investment, and it also affects growth and development. Corruption always reduces private FDI and encourages excessive public investment (Tanzi and Davoodi, 1997). They further argued that the high level of corruption always leads the underdevelopment, and corruption breeds more corruption and discourages the quality of development and legitimate investment in the business. Rose- Ackerman (1999; 20) found out that a corrupt tax and custom mechanism always favors the small group of elites, which destroy the sound fiscal mechanism and discredit the reform.

Corruption seems to have an important contribution to promoting underdevelopment (Ghimire, 2022). In a corrupt regime, economic actors engage in illegal businesses and activities. Opondo (1987; 119) found out that the model of economic development is also the main cause of underdevelopment. If development is concentrated in the towns, it will eventually trickle down to the surrounding peripheral areas. This kind of unequal and unbalanced model of development and economic policy is common in most of the underdeveloped countries.

There is a strong relationship between the political regime and status of economic development. Przeworski et al. (2000; p. 158) conducted a comprehensive study and found that dictatorship existed predominately in poor and underdeveloped countries. About 38.5 per cent of annual observations of dictatorships were in countries with incomes less than 1,000 USD, but only 4.5 percent of democracies were that poor. Their study shows that democracies flourished in wealthy countries. About 46.8 per cent of them were observed in countries with incomes above 6,000 USD, whereas only 2.8 percent of dictatorships existed at such income levels. Furthermore, the studies show that nearly all observations of countries with incomes below 1,000 USD, 92.6 per cent are, of dictatorships, and nearly all our observations of countries with incomes above 6,000 USD, 91.9 per cent are democracies.

Underdevelopment is a multi-faceted phenomenon with internal and external factors so closely related. It is not possible to isolate any single factor or theory to explain the process of underdevelopment. Analyzing various perceptions, the causes of underdevelopment in a country are summarized as follows:

- (i) A large part of the population may be impoverished.

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- (ii) The government may be incompetent, corrupt, or incapacitated to collect tax revenues and operate the development project efficiently.
- (iii) The government has a huge amount of debt and limited sources of own revenue and tax.
- (iv) The government must exercise self-restraint in demanding bribes or side payments. Similarly, governments fail to deliver the basic services to the people.
- (v) Many internal and external factors create trade barriers which directly hamper the countries' economic growth.

Most of the poor and underdeveloped countries never start processing the innovation of new technologies. Poor and underdeveloped countries cannot afford even basic science and technology related work in the government and universities labs.

## **Conclusion**

Underdevelopment is a multidimensional problem deeply embedded in both internal mismanagement and external exploitation. While modernization theory points to domestic shortcomings such as lack of industrialization, high illiteracy, and weak state institutions as the root causes of underdevelopment, dependency theorists convincingly argue that global structures of inequality and exploitation lie at the heart of the problem.

This paper demonstrates that governance failures corruption, civil war, personalistic rule, and institutional decay have further entrenched underdevelopment in many nations. As the Zimbabwean case exemplifies, state mismanagement and rent-seeking behavior can devastate economies and stifle progress. Furthermore, the lack of effective legal systems, widespread informal economies, and ineffective taxation structures compound the crisis.

Ultimately, addressing underdevelopment requires a dual approach: restructuring the global economic system to ensure fairer exchanges and empowering domestic institutions to promote good governance, reduce corruption, and foster inclusive development. Without coordinated efforts that tackle both internal and external dimensions, the cycle of underdevelopment will continue to persist in many parts of the world.

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