3.1. The Vicious Circle of Poverty

There are both internal and external factors which affect a country's development. One internal factor affecting a country's development is its economy. By economic factors one usually means factors that are essential for production, for example labour, land resources and capital. In the model "The vicious circle of poverty" the link between lack of capital and underdevelopment is emphasised. The theory of the vicious circle of poverty can be used both at the national and individual levels, but we will concentrate on the individual level in this report. We think that by studying poverty on the individual level one can more concretely see what causes poverty. On the individual level, the vicious circle of poverty starts with the statement that a poor person (A) cannot pay for an adequate supply of food, and (B) thus is physically weak (C) and cannot work efficiently (D), and unable to earn much money (E), and thus is poor (A). The circle starts all over again with a situation where the person does not have money to get nutritious food (B). This process goes on and on.

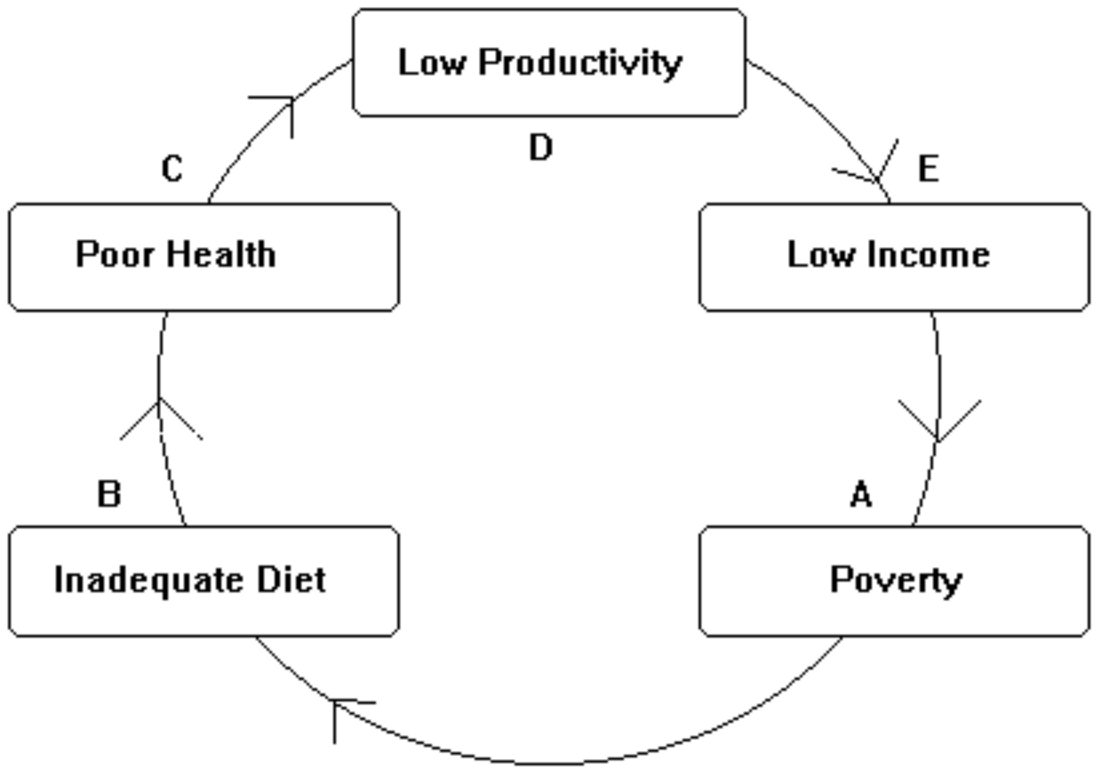

Figure 1: *The vicious circle of poverty - Individual level.*
(source; Barke & O´Hare, 1991, page 43.)