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WIDER Conference on *Inequality, Poverty and Human Well-being*

Photo Martti Lintunen

Inequality is at the heart of the development agenda

Over 140 economists and experts met 30-31 May in Helsinki to report and discuss research findings on human well-being, poverty and global and regional inequality, especially in the world's poorest countries. This is part of a series of conferences, meetings and research projects organized by WIDER on these topics.

With more than a billion people living on less than one dollar per day and gaps in living conditions growing within and between countries, inequality, poverty and human well-being remain as core issues for researchers and policy-makers alike. We now know more about these issues than ever before, as a result of conceptual and methodological advances and better data. Yet despite recent progress, the quality of analysis and data still leave much to be desired. This is true particularly with respect to the world's poorest countries, in which the need to take action is most urgent, as recognized by the UN's Millennium Development Goals.

WIDER is at the forefront of inequality, poverty and well-being research, and will continue to advance analytical techniques, both empirical and conceptual, especially as they apply to the poorest people in the poorest countries. The conference papers addressed a wide variety of theoretical, methodological and analytical issues related to these themes, and the programme, papers, list of participants and presentations are available at: **www.wider.unu.edu**

Conceptual Challenges in Poverty and Inequality: One Development Economist's Perspective

by Ravi Kanbur

The last 30 years in the analysis of inequality and poverty has seen a phase of conceptual advancement (1970-mid 1980s) followed by a phase of application and policy debate (mid 1980s-now). Both phases were exciting and useful in their own way, but the applied phase has significantly exhausted the potential of the conceptual advances of two decades ago. There is now a need for a new phase of conceptual advances, which will make use of the shifting methodological terrain in mainstream economics, and answer emerging policy questions.

Three Decades of Poverty and Inequality Analysis

Notable works by Tony Atkinson and Amartya Sen in the 1970s sparked a huge discussion on how exactly to measure inequality and poverty. Relatedly, this was the period when interaction with the philosophical discourse of John Rawls and Robert Nozick enriched economists' perspectives on distribution. Sen's 'capabilities' approach has its origins in the debate on utilitarianism that was active in this period.

The 1970s and early 1980s were also a time when economists began to make the conceptual leaps necessary to bring processes of social interaction to the understanding of economic phenomena in general, and poverty and inequality in particular. By incorporating the issues of imperfect and asymmetric information within the rational choice framework, economists (notably, Joseph Stiglitz, George Akerlof and Michael Spence) analyzed such phenomena as the underclass in developed economies, or credit constraints and the lack of investment in education by the poorest of the poor in developing countries. It was argued that in the presence of imperfect and asymmetric information, the market economy can produce multiple equilibria, some more efficient and more equitable than others, and that public action was necessary to move from the 'bad' equilibria.

As a final example of the conceptual ferment on distributional issues in economics and development economics, gender and intra-household questions were put firmly on the agenda. In the 1970s and early 1980s it was brought home to economists that our ‘unitary’ models of the household simply could not capture or explain the evidence on deprivation among females in developing countries. While slow to get off the ground, this line of enquiry gradually blossomed conceptually and led on to applied and policy analysis.

My contention is that from the mid-1980s onwards the conceptual ferment on distributional issues died down and we went into an equally exciting phase of consolidation, application and policy debate. The new inequality and poverty indices were systematically applied to data sets in rich and poor countries. Indeed, for African countries this period was characterized by a great increase in household survey data sets. Similarly, the literature on intra-household and gender issues progressed to consolidation and application. There is of course still strong resistance from the profession’s basic reliance on the ‘unitary’ model. But the debate is now on the details of this or that empirical test, not on whether factors such as intra-household bargaining between the genders in principle have a role to play.

Graduate texts in development economics now use the imperfect information perspective to frame the discussion of underdevelopment. The interaction between economic and philosophical discourses has also ‘normalized’. All economists would now know exactly what was meant by the term ‘Rawlsian objective function’. However, it would be fair to say that ‘big ideas’ in philosophy do not seem to animate us in the same way as they did 20 or 30 years ago.

It is not that there has been no ferment on distributional issues in economics and in development economics in the last 15 to 20 years. But it has been not so much on the conceptual as on the policy front. In the wake of the oil price shocks of the 1970s, many developing countries in the 1980s adopted—or, depending on your point of view, were forced to adopt by a cartel of International Financial Institutions—programmes of ‘structural adjustment’. These programmes, primarily introduced in Latin America and in Africa, contained the key elements of the ‘Washington Consensus’ —including opening up economies to trade and capital flows and reducing the role the state in the economy. The fall of the Berlin Wall in 1989 ushered in ‘transition’ to market economies for countries of Central and Eastern Europe and the former Soviet Union. These economies also adopted, or were forced to adopt, similar policy packages. Finally, in the late 1990s the world was hit by a series of financial crises, which many laid at the door of these same policies, especially deregulation of financial markets and flows. All of the above have now perhaps been subsumed under a general (and generally unhelpful) catch-all heading of the debate on ‘globalization’.

The debates of the last 15 years in development economics have crystallized around the consequences of these policies and these developments for poverty and inequality. The conceptual advances of the first 15 years, particularly in the measurement of poverty and inequality, have of course been put to good use, especially as new data sets have become available. The debate has been fierce, with the term Washington Consensus acquiring the status of a term of abuse in some quarters. But it has hardly led to or involved strikingly new conceptual questions—at least not from the economic perspective. The economic questions that abound in these debates—Is economic growth good for the poor? Is trade openness equitable and efficient? What exchange rate regime leads to least unemployment?—important as they are, do not seem to call forth major conceptual advances in the core of economics any more than normal. Fiercely debated? Yes. Conceptual ferment? No.

Conceptual Challenges

Where will the new conceptual ferment come from? In what follows I tentatively suggest three candidates for topics or questions in the distributional area that may well spark the conceptual debates in the years to come—death and the measurement of poverty; behavioural economic foundations of poverty and inequality analysis; and dealing with the multi-dimensionality of poverty and the standard of living. Like all good questions these are not new. And clearly they are not the only conceptual questions we face. But in my view they are examples of questions that could trigger the conceptual advances and debates of the next decade or two.

Poverty and Death

As AIDS cuts its destructive swathe through Africa, its distributional profile seems to be changing. Increasingly, it is becoming clear that it afflicts the rural poor. Without getting into a debate on the epidemiology of the disease, I would only ask us to consider the possibility that the poor will die disproportionately from this disease in Africa in the decades to come. It would be a monstrous assault on our fundamental intuitions if these deaths were not recorded on the negative side of the ledger in any sort of social assessment. And yet the fact of the matter is that all of the commonly used poverty measures would decrease if the poorest person died as a result of poverty.

The issue raised here is conceptual. Current conceptualizations of poverty measurement focus (somewhat unthinkingly) on those currently alive, whereas death rates from AIDS will force us to consider the disproportionality of poor lives extinguished. Our conceptual tools do not seem to be adequate to the task. We will get considerable help from an earlier literature (which goes back to the 1970s and early 1980s) on utilitarianism and population ethics, but new tools will have to be developed to address these concerns.

Behavioural Economics, Development Economics and Distributional Economics

With the recent awards of the Nobel prize to Daniel Kahneman and Vernon Smith, the American Economic Association's Clark Medal to Matthew Rabin, and the MacArthur 'genius' award to Sendhil Mullainathan, behavioural economics can truly be said to have gained professional recognition in economics.

Behavioural economics brings to economics the insights of psychology into how individuals actually behave. Interestingly, while the behavioural economists were toiling away to question the assumptions of basic rational choice theory, development economists and distributional economists, including myself, were embracing the central tenets of microeconomic analysis. Even the models and insights that flowed from the imperfect information paradigm of Akerlof and Stiglitz did not depart from the rational choice frame in any strong sense.

Those measuring poverty and inequality have, implicitly if not explicitly, taken a rational choice perspective. This is captured most vividly in the standard way of operationalizing well-being in empirical work—a simple sum of expenditures on consumption goods. There are some adjustments, to be sure, for public goods. But there are none for public bads, and certainly none for 'private bads', the very idea being incoherent in a rational choice perspective. Thus, for example, a *ceteris paribus* increase in alcohol expenditure would be counted as an increase in well-being despite any increase in domestic violence that it might lead to. Increased expenditure on addictive goods like cigarettes would count as an increase in well-being. If this increase happens for poor households, measured poverty would decline!

At the very least, the smoking example highlights a paradox—at the same time that the World Bank issues reports about the disastrous consequences of smoking among the poor in developing countries, its poverty measures must treat this increase as a contribution to reduction in poverty. But, at a deeper level, the example issues a conceptual challenge to development economists and distributional economists. We have had a good run into the bosom of mainstream economics by adopting its rational choice precepts. But the mainstream itself is being questioned by behavioural economics. What does this mean for the measurement of poverty, and for the analysis of anti-poverty policies?

How to Handle Multidimensionality of Poverty and Inequality?

The standard way economists think of and operationalize the standard of living is in terms of income (or monetary value of consumption). Measures of inequality and poverty are also thus primarily income based. In 1990 the late Mahbub ul Haq introduced the well known Human Development Index (HDI) which is a weighted sum of three components—income, literacy and life expectancy. The annual publication of the HDI is now an eagerly awaited event and invariably leads to debates within a country through comparison with 'competitor' countries (US vs Canada, India vs Pakistan, Ghana vs Côte d'Ivoire, etc.). Its benefits in terms of raising awareness at the highest policy levels has been incalculable, and it has been an integral part of the policy debates.

Nevertheless, the conceptual foundations of the HDI are weak. And this is because the conceptual foundations for handling multi-dimensional poverty and well-being are not yet strong enough to give confidence in the deployment of operational measures such as the HDI. If each of income, literacy and health improve, then we could perhaps declare an overall improvement. But what if there are movements in opposite directions? How are they to be aggregated to come up with an acceptable answer? And what is this thing that aggregation leads to? Or should we start from the meta level and define something into which each of these feeds as a component? Sen has provided a lead here in terms of his ideas on 'capabilities'. But it would be fair to say that these ideas have not penetrated into the mainstream of poverty analysis among economists—where a simple measure based on income/expenditure is still very much the rule. Bringing in education, health and risk as key ingredients of well-being is happening slowly, but separately, dimension by dimension, or simply as a subsidiary supplement to the income based measure. Bringing in other dimensions such as 'voice' integrally seems a long way off.

Even in their rational choice frame, perhaps especially in this frame, economists have not been as successful as they might wish to be in conceptualizing and then operationalizing the simultaneous evaluation of different dimensions of well-being, despite the remarkable efforts of some. There is just a thought that perhaps releasing ourselves from the straightjacket of rational choice, and moving to a more behavioural frame, might also help in this endeavour.

Ravi Kanbur is T.H. Professor of World Affairs and Professor of Economics at Cornell University. This article is based on his presentation at the opening session of the WIDER Conference on 'Inequality, Poverty and Human Well-being', Helsinki, 30-31 May 2003.

An Innovative Source of Development Finance: The Carbon Tax

by Nitin Desai

With official development assistance falling short of needs, there has long been a search for 'innovative' means for financing development. Over the years, a wide range of proposals has been made, but few have been put into practice.

Carbon taxes are one of the leading ideas that have been put forward. They have engendered a strong following and were advocated by a respected international commission headed by former Mexican president Ernesto Zedillo in 2002. Proponents see carbon taxes as having multiple benefits:

First, carbon emissions (and other greenhouse gases) are widely accepted as having deleterious effects. These harms apply not only to the global commons, but are also monetarily significant because of the impact on productivity. A tax should reduce such emissions and losses.

Second, these costs are caused primarily by the users of fossil fuels, but not borne by them. Instead, they become economic externalities, with the costs diverted to society at-large. An appropriately assessed tax would internalize the externalities and force producers to account for the full cost of production. On a related point, advocates claim that a carbon tax not only encourages emitters to abate, but is also a spur to innovation because it encourages a search for cost-effective means of reducing emissions (in order to avoid the tax).

Finally, carbon taxes have been seen as a means to mobilize development finance. Revenue from carbon taxes could be significant, especially in countries with a large energy sector dominated by carbon-high fuels. Whether these revenues would be available, in full or in part for development finance is a moot question. Moreover to the extent to which the tax succeeds in its primary objective of reducing emissions, the generation of revenue would clearly be lower than current levels of emissions would indicate.

Lehtikuva / Chad Ehlers

Carbon taxes encourage the search for new energy sources

Carbon taxes have received significant coverage and support, most recently as a result of the 1997 Kyoto Conference. To many, they represent one of the prime elements in a widespread movement towards 'greener' tax codes and they have been introduced in the Netherlands and some Nordic countries. Despite this support, there remain key questions about implementing the tax on the global scale that most advocates deem desirable.

The first question relates to the local and international political realities of the tax. Local agreement on new 'green' taxes (like carbon taxes) has often been won with a promise that such a move will be revenue neutral - that new taxes on carbon (and other environmental ills) will be offset by the elimination or reduction of other existing taxes. Such an approach on a generalized carbon tax would not provide the desired additional funds for developmental purposes. At the global level, it is not at all clear that a nationally levied and collected tax would be available for global purposes. Even if such taxes are based on a global agreement which includes provisions to this effect, the task of deciding how the revenue earned from such an international tax should be used would also be politically complex.

The second question concerns the effect of the tax on output. Some observers have balked at carbon taxes because of the impact that forcible limitations on emissions may have on economic growth. Because fossil fuels are such a crucial input in global production, the concern is that a curtailment of their use (due to their higher effective cost under a tax) would reduce global output and therefore overall well-being. However, this relationship may not be as direct as many claim.

For those who do not foresee the development of any substitute technologies the impact of holding emissions constant at a 1990 level could lead to substantial annual losses. But such an assumption is unrealistic. When prices change we can expect some substitutions to take place. Adopting more positive assumptions (such as the efficiency of economic responses, the development of substitute fuels/methods, etc.), could even have a net increase of 2.3 per cent of GDP with the same restrictions on carbon usage. Regardless of the impact on production, some observers argue that a trading system for pollution permits might be more effective than a tax in limiting emissions and more politically acceptable.

A third major concern is how any harmful effects of carbon taxes could be limited. For example, many authors have examined the redistributional effects of a carbon tax on the household. One finding has been that a carbon tax is regressive because low-income families tend to spend a higher proportion of their incomes on energy-related products. Additionally, forcing carbon abatement may encourage the development of production techniques that emit other harmful gases. Carbon represents only 60 per cent of the greenhouse gases and the other gases (such as CH_4, N_2O, HFCs, PFCs, SF_6) are also environmentally deleterious, significantly harder to measure and largely untouched by the carbon tax.

Finally, the competing demands of the tax's main proponents—environmentalists and development practitioners—are difficult to reconcile. The groups are at cross purposes in one key respect: advocates wishing to raise money for development would like to see significant carbon emissions remain so as to earn money from the tax whereas environmentalists would prefer the tax to reduce carbon emissions (resulting in a decline in the corresponding tax revenues). A possible reconciliation between the two groups is that emissions would subside as a result of a tax and the costs of global warming mentioned above would be reduced. Theoretically, the resources thus saved could be earmarked for development. However, the 'savings' would be only implicit and it would likely be difficult to convince policy makers to necessarily allocate those funds to global development purposes.

Carbon taxes are under active discussion in policy analysis circles. However, the view taken in intergovernmental discussions is much more cautious. In the 'Monterrey Consensus' adopted by the International Conference on Financing for Development in March 2002, governments agreed to study an analysis of possible innovative sources of financing. WIDER has been requested by the UN to undertake this analysis and carbon taxation will be one of the items addressed. There will be a preliminary discussion of the findings of this WIDER/UN project in September 2003, with the final results expected to be published in 2004. An invigorated international debate on the subject is expected to ensue.

During his tenure as Under-Secretary-General at UN Headquarters in New York, Nitin Desai has been in charge of most of the UN's 'global conferences', as well the major five-year reviews that have often followed. This impressive record started with his appointment as Deputy-Secretary-General of the UN Conference on Environment and Development that took place in Rio de Janeiro in 1992. In 2002, as Under-Secretary-General for the UN's Department of Economic and Social Affairs, he oversaw the International Conference on Financing for Development and the World Summit on Sustainable Development.

This article is written with the substantive assistance of Adam M. Smith, Economic Affairs Officer, UN/DESA.

WIDER research on Development Financing has recently produced the following Discussion Papers (see page 20 on how to order):

3/26 M. Odedokun: Analysis of Deviations and Delays in Aid Disbursements

3/21 M. McGillivray: Descriptive and Prescriptive Analyses of Aid Allocation: Approaches, Issues and Consequences

3/05 S. Feeny: What Determines Foreign Aid to Papua New Guinea? An Inter-temporal Model of Aid Allocation

3/04 M. Odedokun: Economics and Politics of Official Loans versus Grants Panoramic Issues and Empirical Evidence

3/03 J. I. Round and M. Odedokun: Aid Effort and its Determinants

3/02 O. Akinkugbe: Flow of Foreign Direct Investment to Hitherto Neglected Developing Countries

3/01 M. Odedokun: A Holistic Perception of Foreign Financing of Developing Countries' Private Sectors: Analysis and Description of Structure and Trends

2/127 M. Nissanke: Donors' Support for Microcredit as Social Enterprise: A Critial Reappraisal

2/123 J-C. Berthélemy and A. Tichit: Bilateral Donors' Aid Allocation Decisions: A Three-dimentional Panel Analysis

2/119 S. I. Ikhide: Institutional Reforms and the Role of Multilateral Aid Agencies

2/118 G. Mavrotas: Multilateral Development Banks and Private Sector Financing: The Case of IFC

2/117 A. Jimoh: Bilateral Official Finance for Private Sector Development and the Role of Non-Government Organizations

2/99 N. Hermes, R. Lensink, and V. Murinde: Flight Capital and its Reversal for Development Financing

2/98 R. Jha: Innovative Sources of Development Finance: Global Cooperation in the Twenty-first Century

2/97 L. Ndikumana: Additionality of Debt Relief and Debt Forgiveness, and Implications for Future Volumes of Official Assistance

2/96 E. Neumayer: Arab-Related Bilateral and Multilateral Sources of Development Finance: Issues, Trends, and the Way Forward

New Sovereign Debt Restructuring Mechanisms: Challenges and Opportunities

by Ylmaz Akyüz

In this article I will discuss the potential of the Sovereign Debt Restructuring Mechanisms (SDRM), bearing in mind that we are dealing with an evolving phenomenon. The proposal made a year ago was quite different from what we have before us today, and there may be further changes before anything is finally agreed.

UNCTAD was the first international organization calling for orderly workout procedures for developing countries' debt, drawing on certain principles of national bankruptcy laws, notably chapters 9 and 11 of the United States Law. It raised the matter during the debt crisis in the 1980s, noting in its *1986 Trade and Development Report* that the absence of a clear and impartial framework for these problems trapped many developing countries in situations where they suffered the stigma of being judged *de facto* bankrupt without the protection and relief which come from *de jure* insolvency. After the East Asian crisis UNCTAD returned to this issue in *TDR 1998*, making specific proposals, and then developing them further in *TDR 2001*.

In referring to bankruptcy principles in crisis management and resolution, UNCTAD pursues two interrelated objectives. On the one hand, it recognizes the need to prevent financial meltdowns and deep economic crises in developing countries facing difficulties in servicing their external obligations. Such crises often result in a loss of confidence in markets, collapse of currencies and hikes in interest rates, inflicting serious damages on both public and private balance sheets and leading to large losses in output and employment and sharp increases in poverty. All of these occurred in East Asia, Latin America and elsewhere during the past 10 years. On the other hand, UNCTAD is aware that mechanisms are needed for an equitable restructuring of debt which can no longer be serviced according to the original provisions of contracts. Attaining these two objectives does not require full-fledged international bankruptcy procedures but only the application of a few key principles, which are as follows.

(A) A *debt standstill*, irrespective of whether debt is owed by the public or private sector, and whether debt servicing difficulties are due to solvency or liquidity problems (a distinction which is not always clear-cut). The decision for a standstill should be taken unilaterally by the debtor country and be sanctioned by an independent panel rather than by the IMF because the countries affected are among the shareholders of the Fund which itself is also a creditor. This provision would automatically imply a stay on litigation. Such a procedure would be similar to the WTO safeguard provisions, allowing countries to take emergency actions when faced with balance-of-payments difficulties. Standstills may need to be accompanied by capital controls in order to stop speculative attacks on currencies and to gain greater autonomy in monetary policy.

(B) Provision of *debtor-in-possession financing*, automatically granting seniority status to debt contracted after the imposition of the standstill. The IMF should lend into arrears for financing imports and other vital current account transactions rather than for meeting the claims of creditors and maintaining convertibility. There should be strict limits to IMF crisis lending since otherwise it would be difficult to ensure private sector involvement.

(C) *Debt restructuring* including rollover, write-off, etc., based on negotiations between the debtor and creditors, and facilitated by the introduction of automatic rollover clauses and the Collective Action Clauses (CACs) in debt contracts.

These principles still leave open several issues of detail, but they nonetheless could serve as the basis for a coherent and comprehensive approach to crisis intervention and resolution. How does the SDRM relate to such a framework and how effective would it be in responding to and resolving financial and debt crises in developing countries?

The SDRM is effectively a mechanism designed to facilitate sovereign bond restructuring for countries whose debt is deemed unsustainable. It concerns a handful of emerging markets, primarily in Latin America, and it has little interest for other developing countries which do not or cannot issue international bonds, as is generally the case in East Asia and sub-Saharan Africa respectively. The proposed mechanism is quite innovative in bringing debtors and bondholders together whether or not bond contracts contain CACs, in securing greater transparency, and in providing a mechanism for dispute resolution. Thus, it is a step forward in sovereign debt restructuring.

However, there is considerable room for improvement in its design even without extending its scope and objectives. First, compared to national bankruptcy principles, creditors are granted considerable leverage: there would be no generalized stay on the enforcement of creditor rights and hence no statutory protection for debtors against litigation; and creditor permission would be required in granting seniority to new debt needed to prevent disruptions to economic activity.

Second, the proposal could result in a significant increase in the role and power of the IMF even though this is, supposedly, not the intention. A role for the Fund appears to be envisaged in decisions on debt sustainability. The Sovereign Debt Dispute Resolution Forum (SDDRF) would have no authority to challenge decisions of the IMF Board or determine on issues relating to debt sustainability. But the past record of the Fund in assessing sustainability (in Russia, Argentina and HIPC) is not very encouraging, suggesting that it may be facing political, not just technical, difficulties in making sound judgment on debt sustainability.

More fundamentally, the SDRM is designed to collect the debris rather than to put out the fire. Clearly it would not help countries facing liquidity shortages in servicing their public or private debt and runs on their currencies such as those witnessed in East Asia or more recently in Brazil and Turkey where current IMF programmes are based on the assumption that debt is sustainable under feasible policies. But even for countries with clearly unsustainable sovereign debt, the SDRM provides no new mechanism to stem attacks on their currencies and prevent financial turmoil. It includes a provision to discourage litigation by sovereign bondholders through the so-called 'hotchpotch' rule. Such a rule may not be very effective against litigious investors (the so-called 'vultures'). More importantly, it does not address the problem of how to stop financial meltdown, since in a country whose debt is judged to be unsustainable, currency runs would take place whether or not bondholders opt for litigation.

Finally, the current proposal does not fundamentally address the problems associated with IMF bailouts. It can reasonably be expected that countries would generally be unwilling to declare themselves as insolvent and to activate the SDRM. Instead, they would be inclined to ask the Fund to provide financing in order to address their liquidity problems. In most cases it might be difficult for the Fund to decline such requests on grounds that the country is facing a solvency problem. Indeed, as part of its promotion of the SDRM, the IMF has suggested that unsustainable debt situations are rare. Here lies the rationale for limits on IMF crisis lending whether the problem is one of liquidity or insolvency: with strict access limits creditors cannot count on an IMF bailout, and debtors will be less averse to activating the SDRM and standstills when faced with serious difficulties in meeting their external obligations and maintaining convertibility. This means that to encourage countries to move quickly to debt restructuring the SDRM should be combined with limits on crisis lending. But this could create problems unless private sector involvement is secured through a statutory standstill and stay on litigation.

The SDRM proposal has not elicited strong support from developing countries for several reasons. Many countries fear that the introduction of statutory and even contractual mechanisms for debt restructuring would impair their access to international capital markets and discourage capital inflows. This is often the reaction of countries which have become heavily dependent on capital inflows. There is some ambivalence in the IMF response to such concerns. On the one hand the Fund recognizes that the SDRM may prevent over-lending and over-borrowing but on the other they refer to some empirical studies to argue that CACs and spreads are not correlated. In reality, the introduction of statutory standstills and restructuring mechanisms could indeed deter certain types of capital inflows but this may not necessarily be undesirable. Another source of concern is that the proposed mechanism may give too much power to the IMF where participation of developing countries in decision making is highly restricted. This concern is expressed mostly by countries which do not depend on foreign capital to supplement domestic savings, but have nevertheless experienced boom-bust cycles in capital flows and speculative attacks on their currencies. Independent assessment of debt sustainability and expansion of powers of the SDDRF, as well as a fundamental revision of voting rights and procedures in the Fund could help meet their concerns.

In conclusion, despite the shortcomings in its design and objectives, the SDRM could potentially be fine-tuned to bring some improvements in sovereign bond restructuring. As it stands, it does not constitute a coherent and comprehensive framework for crisis intervention and resolution. Not only would it not solve everything, a point conceded by its architects, but it would also not address the most important problems connected with financial and currency crises. Much of this work still remains to be done.

Ylmaz Akyüz is Director of the Division on Globalization and Development Strategies at UNCTAD and contributed to the WIDER study on Governing Globalization: Issues and Institutions *(Oxford University Press, 2002). This article is based on Remarks made at the International Policy Dialogue: New Sovereign Debt Restructuring Mechanisms—Challenges and Opportunities, Berlin, 21 February 2003.*

Ten Years of the Transition: What Success in Building the 'Small Enterprise Essence' of a Market Economy?

by Robert J. McIntyre

When the transition began in 1989 in the former Socialist economies it was widely assumed that the small enterprise sector would play the predominant role in their transformation into free market economies. According to the new WIDER study Small and Medium Enterprises in Transitional Economies, directed by Professor Robert McIntyre and co-edited with Professor Bruno Dallago, the events of the first decade of 'transition' have shown these expectations to be false, or premature, for a number of reasons.

RF EPA / Lehtikuva Anatoly Maltsev

Metal worker at the Arsenal machine-building plant in St Petersberg

This book, published by Palgrave Macmillan, draws conclusions about what happened and why, across a range of important countries and provides direct policy-relevant analysis. Chapters in the volume examine developments in most of the transition countries, with particular attention to China, Hungary, Poland and Russia. The role of small and medium enterprises (SMEs) in advanced capitalist countries and within various earlier centrally planned systems are also considered.

The fundamental conclusion that emerges from this now decade-long experience is that the small enterprise sector is not by itself enough to create successful economic growth. Unless the surrounding large enterprises have been successfully commercialized (meaning that privatization has either been delayed or done in a way that preserved already-existing networks and working relationships) and overall demand conditions are not severely restrictive, sustained SME growth cannot be expected. The SME sector needs the large enterprise sector as a source of inputs, as a market for its outputs and also (it unexpectedly turns out) as the major source of individual entrepreneurial leadership. What is needed is a synergistic SME-large enterprise relationship.

It was unrealistic to assume that healthy markets would emerge, be dominated by small-scale individual entrepreneurship and achieve 'self-organization'. Ideological preferences and hopeful expectations interacted to deflect policy attention from essential institution-building tasks. The authors of the chapters of this study are not pessimistic, but they agree that automatic market processes are not enough to bring a viable SME sector into existence. The successful development of SMEs (beyond the subsistence sector, small-scale trading and service activity) requires a complex set of surrounding institutions and patterns of behaviour that: only emerge slowly. It requires an active state role in creating both markets and market institutions, and conversely are largely thwarted by the rampant criminality that appears wherever a weak or ideologically delegitimized state fails to create relatively predictable law-governed conditions.

'Development from below' was expected to play a transformational role and there was an eager audience for statistical good news. This expectation that successfully functioning markets would automatically emerge played a key role in the largely uncritical reception accorded reports of the rapid growth of 'small trader' and 'shuttle trader' activity. Much of this measured growth represented pursuit of (individually admirable) survival strategies that have little cumulative developmental effect. Very small-scale activity (excluding traditional skilled trades and professions) has a 'dead-end' and essentially subsistence character that is highly unlikely to provide the foundation for successful system-level growth. It is more properly understood as a symptom of the rapid increase in poverty and a contributory factor to the transition health crisis.

'New SMEs' that never actually came into operation were counted, while real SMEs that failed and stopped operating were never removed from the reported total population. Pervasive over-counting of registrations and statistical immortality once registered produced a fairytale picture of both the level and evolution of the SME sector. Further, many successful 'emerging SMEs' were not really new but had a pre-transition existence as part of large service, craft and distribution co-operatives or State-owned Enterprises (SOEs). The 'new' sector of relatively small organizations is thus a mixture of many privatized sub-units of co-operatives or SOEs, entirely *de novo* entities and surviving pre-transition SMEs.

The illusory reports of 'immediate' SME success delayed or diverted attention from the serious policy issues that must be addressed before markets can be expected to yield good results. Many of the papers in this study look for ways of pointing transition economies toward policies that will allow them to capture some of the 'secrets' of Italian, or Japanese or south German 'small enterprise systems'. It is an uncomfortable fact that the most successful SME development has occurred in countries which either already had a relatively substantial SME sector during the central planning period (Poland, Hungary, Slovenia, the new German states) or where small-scale entities were nationalized in a way that made their physical reconstitution relatively easy (Czech Republic and Slovak Republic). The authors of this volume are divided on the question of the fate and future significance of these 'pre-transition legal entrepreneurs', but agree that this is a form of path dependence in which the pre-transition existence of the sector within a society seems to have a large effect regardless of the fate of its original operators.

A number of authors reject obsessive concern with the elimination of inflation, because the resulting depressed aggregate demand conditions are especially destructive to non-criminal small business. Larger entities, even when badly damaged, have proved better adapted than small autonomous entities to survival in a barter or largely non-cash environment. This applies with particular force whenever we turn our attention to the productive SME sector. These macroeconomic findings resonate at a new level with earlier WIDER research.

It is important to acknowledge that innovative, technologically progressive SMEs are not a significant aspect of any of the current transitional economies. Hopeful expectations proved to be false in part because they reflected a misunderstanding of the environment within which successful productive small enterprises actually function in advanced countries. They require: successful large enterprises as customers and suppliers; government conduct (or subsidies to support the conduct by other public or private entities) of both fundamental and applied research; large corporations with research laboratories; and a whole array of informal support and co-operation structures.

Industrial districts and clustering are indeed promising alternatives, but their modern forms also presuppose a surrounding institutional structure, considerable organizational and promotional activity by local government, and national government financing, along with the slow accumulation of trust and interdependency among the small-scale rivals/collaborators.

Local and regional governments have a central role in stimulating SME growth, including both the creation of a local finance system and directly para-entrepreneurial functions (including equity ownership), consistent with the model of the local developmental state. Real-world experiences point to the centrality of small-enterprise systems for both micro- and macro-level success and a wide range of possible organizational and ownership forms. Incomplete privatization often leaves local government with de facto ownership rights, raising the possibility of the development of Chinese-style 'core-TVEs' in other countries. There is a natural synergy between credit co-operatives and production units with co-operative or partial employee ownership, which can help to fill the still gaping (directly-productive) small enterprise 'black hole'.

The small enterprise sector will not by itself create successful economic growth. Successful SME policy interventions must deal with its real conditions and needs, not depend on idealized folk images of solitary entrepreneurship. Unless local-level support institutions are articulated, surrounding large enterprises are successfully revived, and overall demand conditions are not severely restrictive, significant and sustained SME growth cannot be expected.

Robert J. McIntyre is Professor of Economics and Senior Researcher at the Institute for International Economic and Political Studies, Russian Academy of Sciences, Moscow, and directs the Local Economic Development in Transition project at the Massachusetts Institute for Social and Economic Research. He has published numerous articles and books on transition and comparative economics.

Bruno Dallago is Professor of Political Economy and Comparative Economic Systems at the University of Trento, Italy and directs the Masters in Local Development for the Balkans, University of Bolzano, Italy. He is the author and editor of numerous books and articles and has been a consultant to many international organizations.

The study *Small and Medium Enterprises in Transition* is presented at UN Headquarters, Dag Hammarskjöld Library Auditorium, 26 June 2003, by the co-editors Robert J. McIntyre and Bruno Dallago.

Small Open Economies and Vagaries of Globalization

by Jukka Pekkarinen

Empirical investigations of the growth of nations give some support to the hypothesis that smallness as such is a factor that inhibits growth. A small country may lack the necessary scope of markets for utilizing economies of scale or matching the various types of skills required for bringing a new product to the market.

To overcome the handicap of smallness, small countries have sought for access to international markets. In fact most small industrialized countries can be characterized as small open economies with a high share of foreign trade in GDP as well as concentration of export industries on a few branches.

Specialization, on the one hand, promotes efficiency. But, on the other hand, it increases the sensitivity of the economy to external shocks of various kinds. Shocks which have a strong impact on some main export sector of a small economy can disrupt its whole economic fabric. To avoid this, small open economies have to be flexible.

In practice, small open economies have opted for various sorts of buffers to shield themselves from extra instability and uncertainty due to their high degree of external exposure. A typical response of a small open economy has consisted of developing a sophisticated system of social security and welfare services as well as centralized wage bargaining and a consensual model of economic policy making based on close co-operation between government and well organized labour market partners.

This in turn raises the question, are small open economies faced with a double handicap, i.e. not only smallness as such but also institutions like big government, powerful unions and centralized bargaining which, in economists' eyes, are generally considered to inhibit growth and prosperity?

Lehtikuva/Martti Kainulainen

NOKIA the Finnish mobile phone giant was originally (among other things) a rubber-boot manufacturer.

European experience does not support such a conclusion. As a matter of fact, the growth and stability performance of small open economies has been relatively good. In comparisons based on PPP-adjusted level of GDP per capita, various indices of standard of living and human development as well as the level of unemployment etc., small open economies on the Northern and Western edge of the continent generally outperform most of the bigger European countries. Moreover, differences in the level of well-being have increased to the favour of small countries in the sense that the latter have either been rapidly catching up more advanced big economies or, if already above the level of the big countries, have succeeded in extending the gap further. Nor is there any indication that, in comparison with bigger countries, small countries should have had any overwhelming lack of stability.

One is bound to conclude, then, that small open economies have succeeded in finding a good match between protection and stability on the one hand and dynamism as flexibility on the other. Their welfare states have a resemblance with a collective insurance system which heals for market failures without having any serious backlash on labour demand or supply. The centralized wage bargaining system in turn aims at co-ordination which safeguards overall stability of cost developments without excessively preventing adjustment of wage differentials at the local level.

In the early 1990s, while preparations for the euro were made and it was introduced, the good relative performance of the small countries has become all the more striking. This suggests two things. First, the euro may have been of greater marginal advantage to small countries by e.g. providing them with access to new markets and better shelter against the turbulence of international money and currency markets.

Second, the small European economies, thanks to their ability to co-ordinate wage bargaining, may have been better equipped to meet the challenge of common monetary policy. Through their better ability to control wage cost developments, these countries have found a better match between low inflation and low unemployment than bigger countries capable of creating, at best, only various sorts of loose 'social pacts'.

But the risk remains for a small open economy that sometimes the disruptions emanating from the external environment are so overwhelming that the country just can't cope with them, not at least in the short run.

Recent experience of the Finnish economy exemplifies this last point. The Finnish economy was subjected to two successive shocks in the 1990s. First, at the beginning of the decade, the country was hit by a sharp

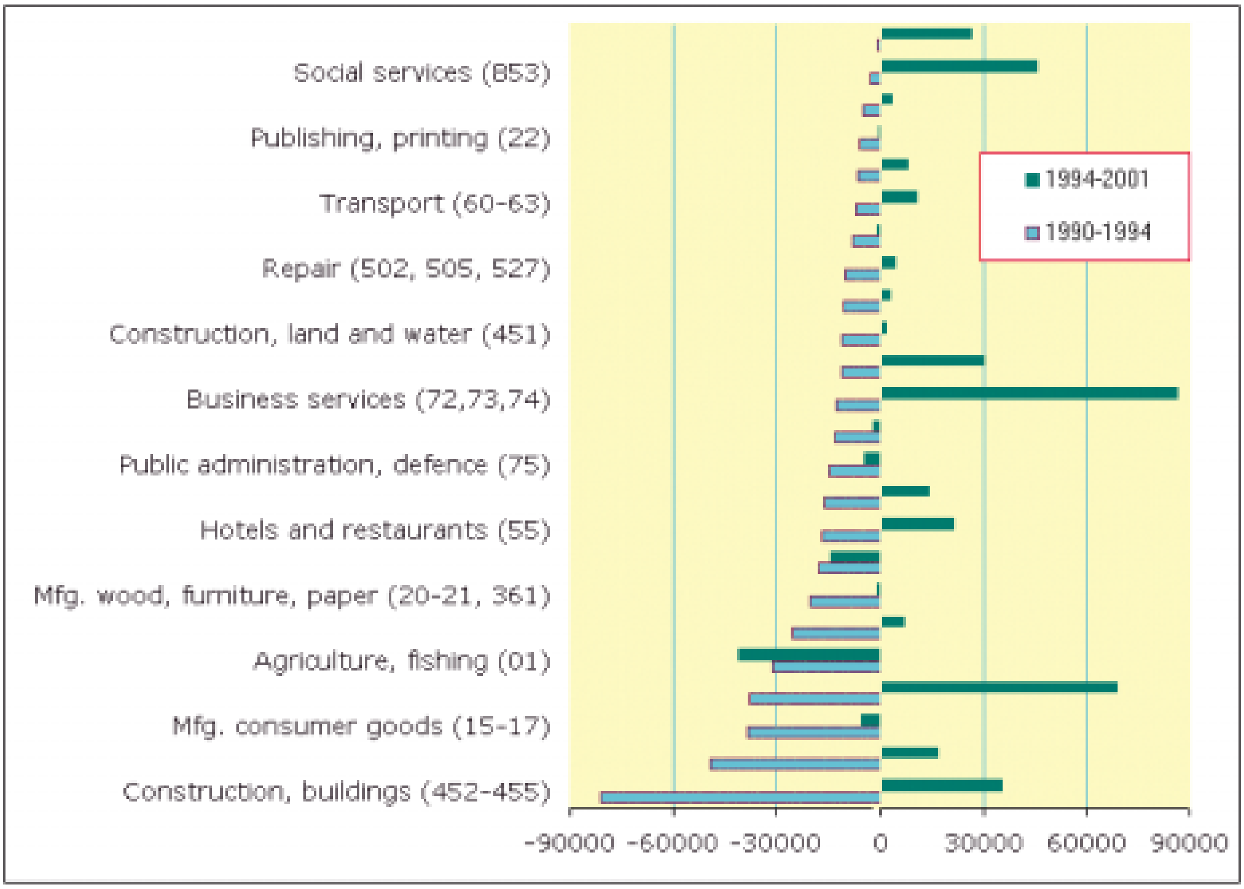


Figure 1: **Change in Finland's employment by industry during the recession and recovery**
Source: Roope Uusitalo's calculations based on data from the Labour Force Survey (LFS). Industry classification according to ISIC 23 digit classification as used in the LFS.

recession. From 1990 to 1993, total output in Finland declined by 12 per cent and unemployment rocketed from 3.5 per cent to more than 16 per cent. The roots of the recession can be traced back to an over-explosion of credit markets in the late 1980s due to failures made in the design of financial deregulation.

In 1994, a rapid export-led expansion was launched which lasted until 2000. Annual growth rate reached 5 per cent on average; and employment increased rapidly. Yet unemployment came down much more slowly than was generally expected, and at the end of the decade the unemployment rate still stayed above 9 per cent.

The combination of rapid output growth, respectable increase in the number of jobs and stubbornly high unemployment in Finland during the years of rapid growth in the 1990s can be attributed to pattern of growth itself. Expansion was biased towards a few export industries to the extent that it in fact entailed a second shock in the course of the 1990s.

Share of exports in Finnish GDP almost doubled to close to 50 per cent (at fixed prices). Growth was concentrated in telecommunications and related industries, which recruited mostly highly educated labour force. These vacancies were to a large extent filled by people coming directly from various institutions of higher education, while people who had become unemployed during the recession, having a low educational record, lacked the required skills. The pattern of jobs growth during the expansion differed markedly from concentration of job shuffling during the previous recession (see Figure 1).

It seems that these two successive shocks, i.e. recession and export-biased expansion thereafter, exceeded the adjustment capacity of the economy. As a consequence, extensive long-term unemployment and labour market exclusion led to a significant increase in the incidence of poverty in Finland. More generally, the recent Finnish experience reveals that sometimes the structural shifts in a small open economy can be so abrupt that even well-developed flexibility mechanisms do not suffice to absorb them. Instability risks of external exposure can sometimes lead to unpleasant consequences.

Jukka Pekkarinen is the Director of The Labour Institute for Economic Research in Finland, which is an independent and non-profit research organization founded in 1971. Dr Pekkarinen is also a member of the WIDER Board.

Elusive Prosperity, Volatile Politics and International Migration: Experiences from Latin America

by Andrés Solimano

At the turn of the twentieth century, a large number of Europeans—mainly Italians and Spaniards—left their homelands and headed to the distant southern shores of Argentina responding to the good economic opportunities, fertile land and a better future that were to be found in this country, at the time one of the most vibrant world economies. Around 7 million people migrated from Europe to Argentina between 1870 and 1930, although nearly 3 million returned at different points in time during those years. Foreign capital also responded to the opportunities opened in Argentina and British financial institutions funded an important part of the construction of national infrastructure needed to support growth. In contrast, since the 1950s, European migration to Argentina virtually stopped and the country became in the next 30 years or so a net exporter of professionals, scientists and intellectuals that were flying economic decline, poor opportunities and authoritarian regimes. Moreover, during this period, financial capital steadily left Argentina looking for safer places. Nowadays, and in the reversed direction of a century ago, Argentineans are leaving in large numbers to Spain, Italy and other destinations. This time, emigration is associated with the collapse of the country's currency experiment of the 1990s—the convertibility board and its ensuing short lived prosperity—that left a legacy of massive output decline, high unemployment, financial crisis and lost hopes.

International migration is, thus, like a barometer of economic and societal conditions in home countries with respect to the rest of the world.[1] Good times (prosperity, boom) are often matched by cycles of immigration. Conversely, bad times (economic crisis, growth collapses) are followed by emigration pressures, often of those highly educated who are more mobile internationally. Latin America has a long history of cycles of prosperity and boom followed by decline and, at times, economic collapse. From a long run perspective, Latin America in the twentieth century has been a region of net emigration, save for the case of mass immigration to Argentina (and Brazil to some extent) in the first decades of the twentieth century. Several Latin American countries are net emigration economies: Mexico to the US, likewise other Central American and Caribbean countries. More recently, the economic crisis of Ecuador in the late 1990s, the internal conflict in Colombia and political polarization in Venezuela have led to large emigration flows from these three Andean countries.

Economic Determinants of International Migration

Recent economic research on the determinants of international migration identifies real wages and income per capita differentials between sending and receiving countries as a main cause of (voluntary) emigration decisions.[2] In turn, relative income differentials depends on relative growth performance across nations which are ultimately linked to different development paths. Therefore the economics of international migration is closely associated with the economics of international development. In this sense, the large relative income differentials between Latin American and North-America (the US and Canada) prompts emigration from Latin America to the north. In turn, there are significant intra-regional differences in per capita incomes and economic opportunities that drive the movement of workers and families from one Latin American country to another, often to a neighbouring country. In fact, we find significant intra-regional migration from Peru to Chile, from Haiti to Dominican Republic, from Costa Rica to Nicaragua.

Migration theory deals also with issues such as the choice of country of destination, the costs of migrating, the policies towards immigrants in receiving nations and others. The choice of country of destination in international migration is often dictated by the existence of social networks of relatives and friends that have previously migrated to a certain country. Thus, history matters as previous cohorts of migrants affect current migration patterns. There are economic and emotional costs in migrating from one country to another such as travelling costs (e.g. air tickets, shipping costs), living expenses in the host countries, costs of job search and the human costs associated with living away from home. Typically, unskilled and poor migrants are more affected by the economic costs of migration than skilled migrants. Moreover, cultural differences (language, habits) across countries and geographical distances diminish pressures for international migration. An important factor constraining migration flows, in spite of large differentials in per capita income levels and real wages across countries, is restrictive immigration policies prevailing in the receiving countries.

Political Determinants of Voluntary Migration

Outflows and inflows of people do not only depend on economic considerations in sending and receiving countries. The political regimes prevailing in host and source countries—democracy or authoritarianism—also matter in the decision to migrate. Individuals will prefer to live in countries where civic freedoms and rights (freedom of speech, of association, right to elect public authorities) and economic rights (respect for property rights and contracts) are protected. This tends to occur more often in democracies than in dictatorships that curtail individual rights and engage in repressive activities.

Albert Hirschman in his classic book *Exit, Voice and Loyalty* draws a distinction—useful to understand the economic and political causes of immigration decisions—between purely economic choice and collective action, identifying exit as a predominantly economic choice. In contrast, voice belongs to the realm of collective (political) action. This framework suggests that individuals who are unsatisfied or discontented with current political and economic conditions in their home countries and where 'voice' becomes an ineffective expedient to change things, may choose to exit their countries (e.g. to emigrate). Thus (voluntary) migration (different from the problem of refugees and asylum which are instances of forced migration) is a decision affected also by political conditions that are considered unpleasant (or outright threatening) to nationals and foreign residents. This suggests a direct relationship between the emigration of nationals (or the repatriation of foreigners) and the existence of authoritarian regimes that suppress political rights and civil liberties. There are several historical examples in Latin America about this: the onset of military regimes in Argentina in the 1960s and 1970s that curtailed civil liberties and intervened in the universities (suppressing academic freedoms) was followed by a massive outflow of professionals, intellectuals and scientists out of the country with adverse brain drain consequences for the country. A similar situation developed in Brazil in the 1960s and 1970s and later on in Chile in the 1970s and 1980s. In these cases, emigration (very often of individuals with a high stock of human capital) became a response to non-democratic political regimes that failed to respect civic rights and cut resources for teaching, research and cultural activities. Current political trends such as polarization and destabilization in Venezuela, volatility and confusion in Argentina, political fragility in Ecuador and Peru are, undoubtedly, worrisome trends for stability and democracy and its effects on the flight of human capital.

Growth, Macro-economic Cycles and Inequality

An important question is the relationship between growth and international migration. There seems to be a two-way causality between these two variables: rapid growth, expanding opportunities, technological discoveries and land availability in the host country often precedes immigration. This was apparently the case of Argentina and other New World countries (Australia, Canada, the US, New Zealand) at the end of the nineteenth century. At the same time immigration is an important factor in sustaining and reinforcing a dynamics of enhanced growth and prosperity. Various mechanisms can account for a positive effect of migration on economic growth in receiving countries. On the one hand, the immigration of people with entrepreneurial capacities and a favourable attitude towards risk-taking was, in history, an important contribution to business creation, resource mobilization, colonization and innovation. On the other hand, the immigration of unskilled labour can help to increase and sustain growth in the host country by moderating the growth of wages therefore contributing to keep profits high, raising the profitability of investment and accelerating growth.

Macro-economic cycles are also correlated with migration flows. The debt and growth crisis of the 1980s in Latin America saw a resumption of emigration pressures from the region. In contrast, the economic boom of Chile during most of the 1990s and in Argentina in the first half of the 1990s attracted migration from lower income neighboring countries as well as the repatriation of nationals living abroad. However, in the late 1990s and early 2000s there has been a resumption of emigration pressures due to regional downturn, economic uncertainty and volatile politics.

Regional and global inequalities can be dampened by international migration as people move from lower real wages to higher wage countries. The empirical evidence from the age of mass migration before 1914 shows that incomes convergence between Europe and the New World was largely driven byinternational migration that contributed to significant narrow wage gaps between sending and receiving countries. In contrast, today we live in a world of large global inequalities and more restrictive international migration regimes.

Summing up, more flexible migration regimes can have a positive effect in boosting economic growth, correcting global labour markets imbalances and reducing international inequalities. In addition, sound domestic economic policies, international cooperation for development, and open markets for goods, capital and labour are critical ingredients for smoothing global emigration pressures, while making people's mobility (likewise capital mobility) also an integral part of globalization.

[1] Papers by the author on this subject are: 'Development Cycles, Political Regimes and International Migration: Argentina in the 20th Century', 2002, mimeo, ECLAC. Also 'Globalizing Talent and Human Capital: Implications for Developing Countries', series Macroeconomics of Development, Working Paper no. 15, ECLAC. 'Globalization, History and International Migration: A view From Latin America', mimeo, World Commission on Social Aspects of Globalization, ILO, 2002. Contact: asolimano@eclac.cl

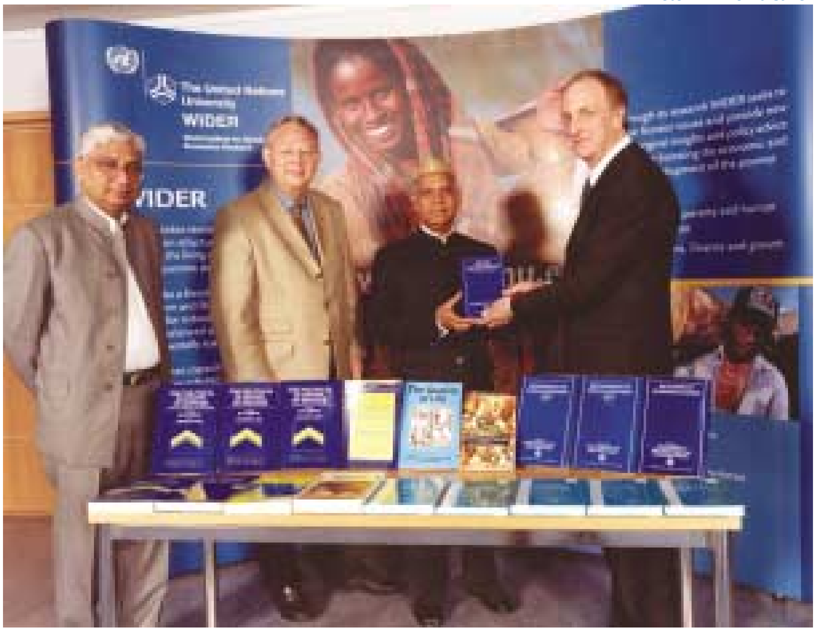
[2] Our discussion of the economic and political determinant of migration refers to voluntary migration. Forced migration and the issue of refugees and asylum is often driven by other determinants more related to the occurrence of civil wars, political and/or religious persecution, ethnic cleansing and the like.

Andrés Solimano is Regional Advisor, United Nations Economic Commission for Latin America and the Caribbean (ECLAC), former Country Director at the World Bank and Executive Director at the Board of the Inter-American Development Bank, and general editor of the series, Development and Inequality in the Market Economy, University of Michigan Press.

WIDER Special Events and Presentation of Publications at International Forums

In 1988, the Government of India became the first, and so far the only, developing country to make a contribution to the Endowment Fund of WIDER. The pledge of USD 1 million was presented to WIDER by (Late) Shri Rajiv Gandhi, President of India at the time. WIDER received the final installment of this grant last year and expressed its appreciation in a special ceremony attended by Mr Om Prakash Gupta, the Indian Ambassador to Finland. Among other things, the grant from the Government of India has been influential in WIDER's efforts at obtaining supporting contributions from other donors across the world.

Photo Kimmo Räisänen



Over the years, scholars at WIDER have undertaken a considerable amount of research on India in the field of development economics. One of them, Professor Amartya Sen, winner of the Nobel Prize in Economics in 1998, played a leading role in setting up WIDER and subsequently served as a Research Adviser for the project on "Hunger and Poverty: The Poorest Billion". Apart from editing and co-editing six volumes on this project, published by Oxford University Press, Professor Sen is also the author of numerous WIDER working papers.

With a focus on India: From left Deepak Nayyar, Chairman of the WIDER Board and Vice Chancellor of the University of Delhi, Hans van Ginkel, Rector of the UNU, H.E. Om Prakash Gupta, Ambassador of India to Finland and Tony Shorrocks, Director of WIDER, with a selection of the Institute's published research, dealing mainly with the experience of India in development.

WIDER study *Reforming Africa's Institutions: Towards a Domestic Response* was presented by the director of the project Steve Kayizzi-Mugerwa, and by contributors to the study including Moses L. Golola, Yvonne Tsikata and Tony Addison to an audience in Brussels on 17 February 2003 at the General Secretariat of the African, Caribbean and Pacific (ACP) Group of States.

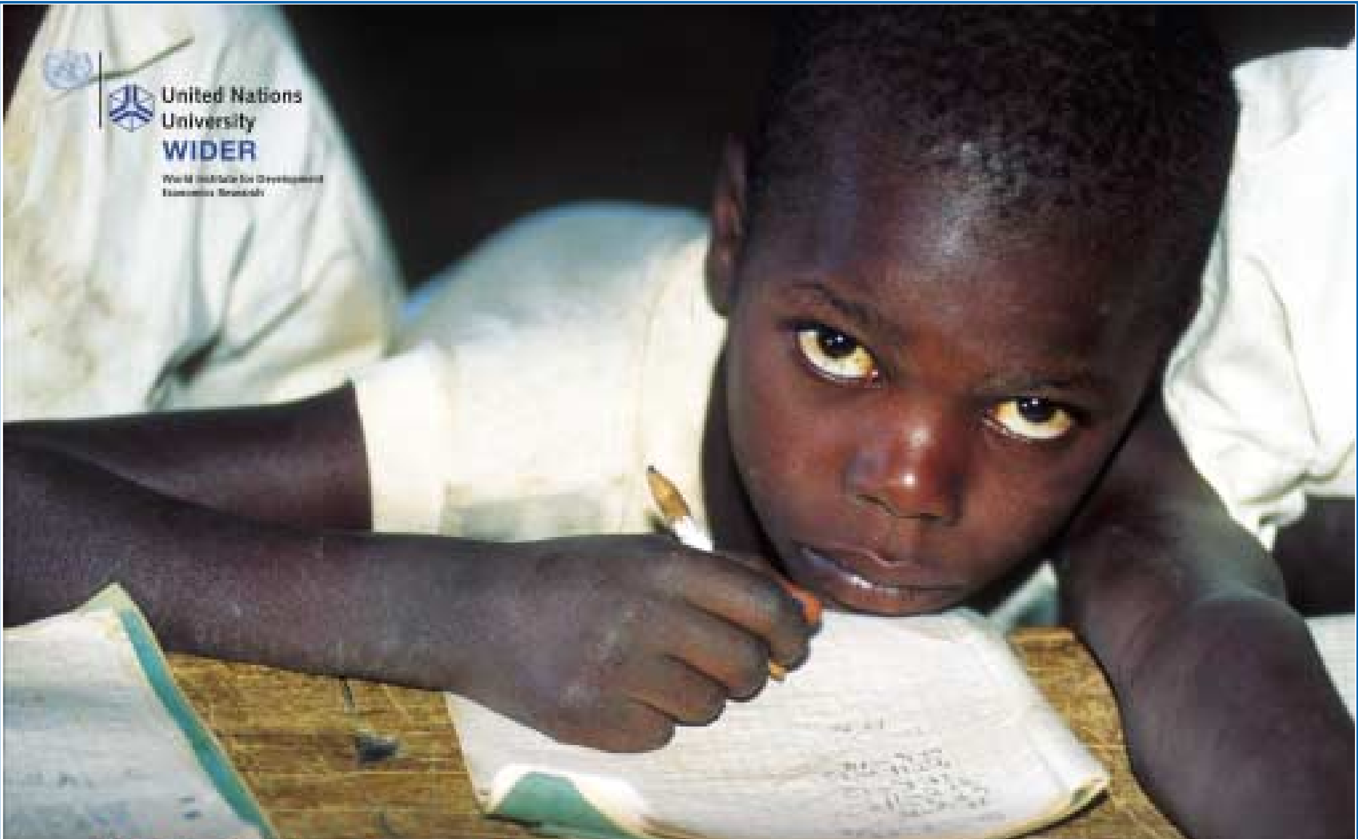
The event was chaired by Pa'o Luteru, Assistant Secretary General of the ACP Group. Elisabeth Parp from the Directorate-General for Development of the European Commission and Adelaide Mkhonza Assistant Secretary General of ACP Group acted as discussants. The presentation was attended by a large number of policy makers from the African member states of the ACP Group, as well as representatives of the European Community, NGOs and the media.

Photo Mapez

From left Adelaide Mkhonza, Steve Kayizzi-Mugerwa, Pa'o Luteru, Tony Addison and Yvonne Tsikata

Web site of General Secretariat of ACP Group: www.acpsec.org

Web site of DGD of EC: europa.eu.int/comm/development/index_en.htm



WIDER Conference on
Sharing Global Prosperity

Helsinki, Finland, 6 - 7 September 2003

For the rich world it is a time of unprecedented prosperity, built on rising flows of finance, trade, and investment, spurred on by the revolution in information technology. Yet in the developing world millions of people continue to live in the direst poverty and global prosperity appears to have passed them by.

WIDER's international conference will focus on ways to increase the global economy's benefits to poor countries and poor people.

Conference topics include:

Innovative sources of development finance

Private capital flows & foreign aid

International trade & foreign investment

Globalization's development impact

design: Ara Kazandjian and Sari Väkelä, *Photo by* Curt Carnemark, World Bank, *print:* Forssan Kirjapaino Oy

The conference is intended for researchers from the academic, government, and development communities.

For applications and further communication: www.wider.unu.edu

Call for papers closed on 15 May 2003

WIDER Publications

New Titles

Policy Briefs

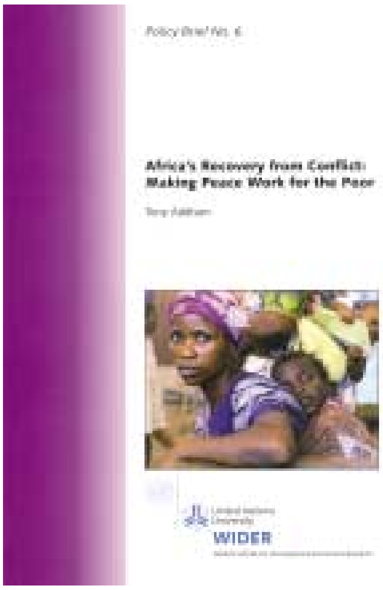
Policy Brief 6 Africa's Recovery from Conflict: Making Peace Work for the Poor Tony Addison, March 2003

In French

Cahiers de politique 6 L'Afrique de la guerre à la paix : garantir l'avenir des populations pauvres Tony Addison

In Portuguese

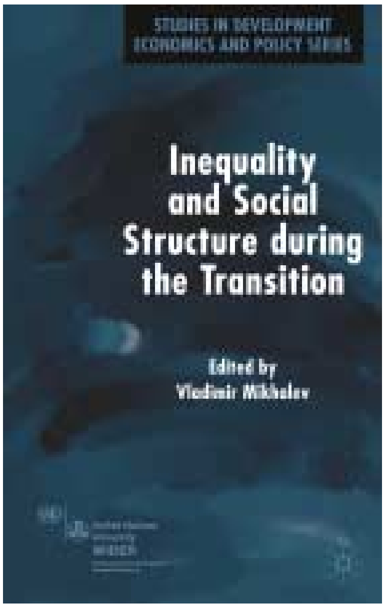
Sínteses Sobre Política 6 A Recuperação de África após os Conflitos: Levar aos Pobres os Benefícios da Paz Tony Addison



Books

Inequality and Social Structure During the Transition
Edited by Vladimir Mikhalev

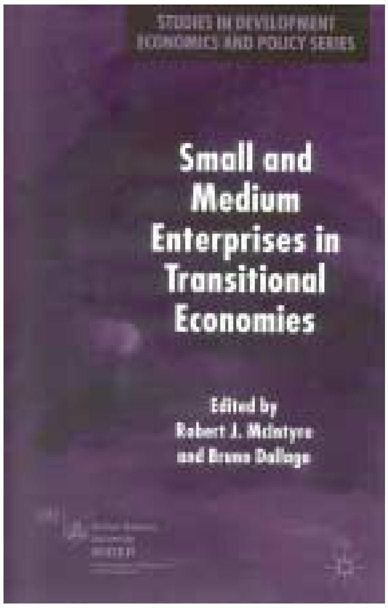
(hardback) 1-4039-0801-X
July 2003
Studies in Development Economics and Policy,
Palgrave Macmillan



This unique collection studies and compares emerging social structures in transitional societies and discusses the life of the large majority of workers (farmers and state-sector employees as well as the bottom of socially deprived and marginalized people). The contributors look into causes of high inequality and poverty in Russia and other CIS countries, as well as more equal income distribution and higher levels of social welfare in Central Europe.

Small and Medium Enterprises in Transitional Economies
Edited by Robert J. McIntyre and Bruno Dallago

(hardback) 1-4039-0800-1
June 2003
Studies in Development Economics and Policy,
Palgrave Macmillan

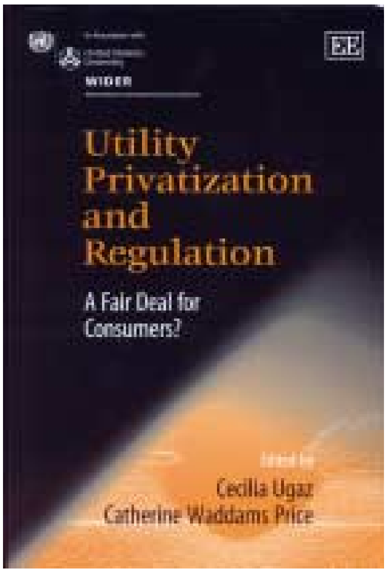


Although the new small and medium enterprises (SME) sector is emerging as one of the driving forces in transition economies, little is known about the conditions behind its successful development or about policies which could facilitate its expansion. This book explores the complex relationship between the growth of the SME sector and the current policies and institutional, historical and cultural forces that shape its fate.

Utility Privatization and Regulation: A Fair Deal for Consumers?
Edited by Cecilia Ugaz and Catherine Waddams Price

(hardback) 1-84376-202-1
April 2003
Edward Elgar in association with WIDER

Latin American countries have now privatized a large number of their utility industries and make more use of market approaches to delivery through networks. Privatization has major consequences for efficiency, long-term growth, consumer welfare and income distribution but insufficient attention has been paid to the direct effect on consumers of regulation and the introduction of competition. This book assesses how reform processes can be improved,

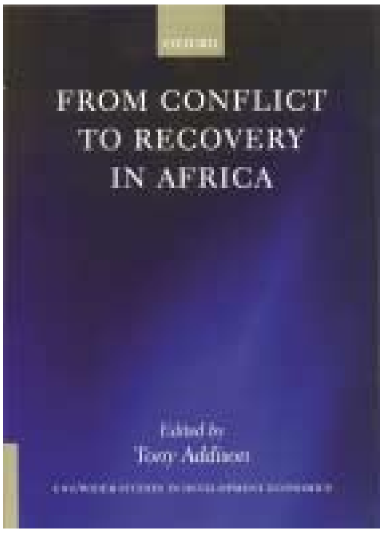


particularly in the light of experience in some Latin American and European countries.

From Conflict to Recovery in Africa
Edited by Tony Addison

(hardback) 0-19-926103-2
February 2003
UNU/WIDER Studies
in Development Economics
Oxford University Press

War has destroyed the hopes and lives of millions of Africans. How can we help Africa's communities to recover? How can we ensure that recovery from conflict benefits the poor and not just a narrow elite? These are just some of the vital questions asked and answered in this important new book, which is one of the first to thoroughly examine recovery from conflict in Africa.



'The authors make a persuasive case that peacebuilding, economic reform, and democratization can and must go together in Africa. This book is essential reading for all concerned with the transition from war to peace.'

James K. Boyce, University of Massachusetts, Amherst.

'This is a well researched study that combines solid theoretical analysis with a deep understanding of the complex empirical realities of post-conflict reconstruction and development in Africa [that] sends a powerful message to the international community that it has an obligation to assist African countries to achieve durable peace.'

Nitin Desai, Under-Secretary-General, UN Department for Economic and Social Affairs.

'It is sad that a book such as this must be written, but conflict is a tragic fact of life in the sub-Saharan region. This book brings hope for the future, through its sound, professional research. Again, WIDER demonstrates that it is on the "cutting edge" of development economics.'

John Weeks, Director, Centre for Development Policy and Research, SOAS.

This 'edited volume focuses on the economic damage invariably done by conflict and the policy challenge of how to repair it, concluding that only an early and sustained effort to address structural reforms can do the trick. It is a conclusion which demands more from the donor community than a narrower, reconstruction- and humanitarian-oriented approach, but it is none the less valid for that.'

Alyson J.K. Bailes, Director, Stockholm International Peace Research Institute (SIPRI).

[See additional reviews at www.wider.unu.edu.]

Journal

Journal of International Development

Volume 15, Issue 4 (2003).
ISSN: 0954-1748.
UNU/WIDER Special Issue on:
Explaining Violent Conflict: Going Beyond Greed versus Grievance
Guest edited by Tony Addison
and S. Mansoob Murshed
Published by and available
from John Wiley & Sons
(www.wileyeurope.com)
Papers include:

Does inequality cause conflict? Christopher Cramer

Buying peace or fuelling war: the role of corruption in armed conflicts. Philippe Le Billon

Clans, cliques and captured states: rethinking transition in Central and Eastern Europe and the former Soviet Union. Janine R. Wedel

The political economy of Malaysian federalism: economic development, public policy and conflict containment. Jomo K. S., Wee Chong Hui

The political economy of Zimbabwe's descent into conflict. Tony Addison, Liisa Laakso

Building institutions in post-conflict African economies. Janine Aron

Regional dimensions of conflict and peace-building in contemporary Africa. Timothy M. Shaw

Economic aspects of the Palestinian—Israeli conflict: the collapse of the Oslo Accord. Fadle M. Naqib

The socioeconomic roots of conflict in the Caucasus. Svetlana P. Glinkina, Dorothy J. Rosenberg

Forthcoming Books

Ownership and Governance of Enterprises: Recent Innovative Developments
Edited by Laixiang Sun

(hardback) 1-4039-1633-0
October 2003
Studies in Development Economics and Policy,
Palgrave Macmillan

Conventional wisdom recommends the superiority of private ownership of enterprises. The reality confronts it with a rich diversity in ownership and governance structures. This volume examines five types of unorthodox ownership and governance form emerging in the industrial sector across major economies. It analyses two cases to demonstrate that there are alternative ways to harden budget constraints of state-owned enterprises. It investigates the driving forces behind these evolving dynamics and explores policy implications for developing and transition economies.

From Capital Surges to Drought: Seeking Stability for Emerging Economies
Edited by Ricardo Ffrench-Davis and Stephany Griffith-Jones

(hardback) 1-4039-1631-4
October 2003
Studies in Development Economics and Policy,
Palgrave Macmillan

This book analyses the new trends in capital flows to emerging markets since the Asian crisis, their determinants and policy implications. It explains why such flows have declined so dramatically in recent years, emphasising both structural and cyclical factors. Senior bankers, regulators, and well-known academics explain the behaviour of different players. The book breaks new ground by showing in detail how such behaviour has contributed to the decline of flows and their volatility. The book suggests what coping mechanisms developing countries could adopt to deal with crisis situations; what measures should be taken at the national and international levels to make recipient countries less vulnerable to international financial instability; how such instability can be reduced; and what can be done on the source countries to encourage larger more stable capital flows to developing countries.

Perspectives on Growth and Poverty
Edited by Rolph van der Hoeven and Anthony Shorrocks

(paperback) 92-808-1091-X
December 2003
United Nations University Press

'Perspectives on Growth and Poverty deals with two subjects which have attracted treatments that score high on relevance or on rigour: the present volume offers a collection of essays which, exceptionally, score high with respect to *both* attributes.'

S. Subramanian, Madras Institute of Development Studies

This 'is a timely publication [that] … looks at the role of institutions, how to improve resource flows to poor groups, how to design effective incentive structures for poverty reduction, and what role growth plays in inequality and poverty reduction. The case studies provide interesting examples of what the new thinking has achieved in practice and highlight the need for further investigation.

The turn of the millennium saw much activity related to establishing monitorable global benchmarks for tackling poverty. The donor community, including the multilateral agencies of the UN, encouraged developing countries, especially low-income ones to put poverty reduction on top of their development agendas. WIDER has contributed to this challenge by facilitating broad based research drawing practitioners world wide, including from low-income countries. *Perspectives on Growth and Poverty* is a good example of WIDER's engagement.

I recommend the book to academics and other practitioners for its probing and insightful analysis of poverty and growth issues and for suggestions on how to restructure the road map in order to ensure that the globally adopted poverty reduction targets are achieved.'

Steve Kayizzi-Mugerwa, Independent Evaluation Office, IMF, Washington DC

'In recent years both the understanding of growth-poverty relationships and development policies have been damaged by the false claim that "growth is good for the poor". This important, new book adds weight to the argument that growth-poverty relationships cannot be turned into a simplistic, newspaper headline *a la* Dollar and Kraay. It explores the complexities of country-specific growth-poverty links and examines the policy implications. This book deserves a wide readership.'

David Hulme, Professor of Development Studies and Director, Chronic Poverty Research Centre, IDPM, University of Manchester

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Edited by Anthony Shorrocks and Rolph van der Hoeven

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The relationship between growth, inequality and poverty lies at the heart of development economics. This book draws together many of the most important research contributions to the recent controversies surrounding this topic. It explains why academics and others active in the development field disagree so much on issues concerned with growth, poverty and inequality, and highlights the need for diverse strategies towards growth and poverty which take full account of the specific circumstances of individual nations.

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Editorial contents, design and layout by Ara Kazandjian (e-mail: ara@wider.unu.edu), and Basudeb Guha-Khasnobis (e-mail: basudeb@wider.unu.edu).

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WIDER
Katajanokanlaituri 6 B
00160 Helsinki, Finland
Tel. (+358-9) 6159911
Fax (+358-9) 61599333
E-mail wider@wider.unu.edu
Web site www.wider.unu.edu

For further information on the Institute's activities, please contact:
Mr Ara Kazandjian,
tel. (+358-9) 61599210,
e-mail: ara@wider.unu.edu

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