World Institute for Development Economics Research

WIDER ANGLE

No. 1/2001

WIDER Growth and Poverty Conference

Can economic growth reduce poverty? Will the 1.2 billion people living on less than US$1 a day see much benefit from current policies? What do we need to do to ensure that more poor people share the benefits of growth? These are some of the questions which were discussed by 120 researchers and policy-makers from over 30 countries at the WIDER Development Conference on Growth and Poverty in May (25-26) in Helsinki.

Building on some of the themes of the World Bank's Development Report 2000-2001, and UNDP's annual Human Development Report, the conference reviewed what is presently known about the relationship between growth and poverty. And it provided a forum for an exchange of views between researchers and policy-makers. The meeting also highlighted issues that require much more attention if world poverty is to be reduced at a faster rate.

Poverty has fallen significantly in the fast growing Asian economies over the last 3 decades: some countries saw their poverty rates cut in half. The number of people living on less that US$1 a day in East Asia fell from 452 million in 1990 to 278 million in 1998. However, in Sub-Saharan Africa the number of poor people rose from 242 million in 1990 to 290 million in 1998, in part because economic growth was either slow or negative.

The participation of the poor in growth, and therefore growth's benefit to them, depends on their access to land, education, and markets. If this access is limited, then their benefits from growth will be limited. Hence, policies such as land reform, more investment in education, and market reform are often required to reduce poverty at a fast rate. Women are often disproportionately poor, so gender discrimination in education spending and employment must also be tackled.

Moreover, policies to raise economic growth can sometimes have adverse short term effects, including higher unemployment, greater economic insecurity, and the weakening of traditional safety nets. And policies for growth that ignore the environment, may cause pollution, soil erosion, and deforestation, thereby damaging the livelihoods and the health of the poor. All conference papers are available at: www.wider.unu.edu

Reform the UN and the Bretton Woods Institutions

by Deepak Nayyar

Deepak Nayyar presenting his lecture

The United Nations, the World Bank and the International Monetary Fund, created at the end of the Second World War, today operate on outdated political and economic foundations. They need to be overhauled before a crisis induced by globalization forces the changes required. The UN and its security council together with the Bretton Woods Institutions (BWIs) need urgent reform to meet globalization's challenges.

It took a world war and a worldwide economic depression to create the UN and the BWIs. Fifty years on the international community should not wait for a crisis of such proportions to take action on global governance.

Its Time to Reform the Reformers

The BWIs are the most ardent advocates of economic reform. It is now time to reform the reformers. Both institutions were created to manage the international payments system and to help Europe reconstruct. This was at a time shaped by memories of the Great Depression.

But the world has changed since then. BWI orthodoxy has not resolved the economic problems of borrowing countries: deep poverty and inequality persist. And the BWIs are incapable of effectively managing today's international financial system—in particular the instability and volatility of exchange rates and capital flows. The essence of the problem is international capital flows without any international controls. In fact, globalization has accentuated the crisis of development.

The IMF must manage and stabilize the international financial system, not only through crisis management but also through more crisis prevention. It is high time the IMF practices what it preaches about transparency. Accountability is an imperative without which the Fund will continue to pursue the interests of a subset of the international community—often to the detriment of the general interest of peoples and governments or the collective interest of the world economy.

The World Bank should cease to be a moneylender and transform itself into an institution more concerned with development, focused on development activities in poor countries. Accountability at the World Bank is limited to finance ministries and central banks. An independent evaluation of Bank-supported projects and programmes should be a first step to improving its accountability to governments and peoples.

The number of humanitarian crises with their legacy of death, displacement, and destruction, has risen dramatically over the past decade. The response of the international community and of the UN—in peace-keeping, helping refugees, mine clearance, reconstruction etc—has been *ad hoc*, inadequate or simply not forthcoming. There is still no system in place to take care of—let alone prevent—complex humanitarian emergencies. Action is urgently required (see Box).

Missing Institutions

International capital markets have undergone explosive growth since 1944. A new financial architecture is needed to manage global macro-economics and prevent crises. What are the foundations for a new system of macroeconomic management?

The cornerstones must be institutional mechanisms to foster consultation, consistency, and surveillance of national macro-economic policies. This must be supported by more emergency finance, available before (not after) international reserves are depleted in times of crisis. Standstill procedures, or orderly debt workout procedures, must be initiated to deal with country debt problems, in the same way that these procedures handle private-sector bankruptcy procedures. And countries need more support in developing minimum standards in prudential regulation, supervision, and accounting.

Governing Transnational Corporations

An international system of governance for transnational corporations is also needed. This should focus not only on the rights—but also the obligations—of transnational corporations. Restrictive business practices should be curtailed, and an international regime of anti-trust laws created. This can build on efforts by the UN Conference on Trade and Development, the experience of the EU, and initiatives by the OECD and the IFC.

Globalization has reduced the power of national governments in economics and politics without a corresponding increase in effective international co-operation or supra-national government which could regulate this market driven process. Without effective international oversight, international problems (such as international crime, or trade in drugs, guns, people, and human organs) will increase while international public goods (world peace and sustainable development) will be undermined.

An international mechanism for co-operation between nation states which facilitates co-ordinated action and co-operative behaviour is needed. Above all, it is essential to create institutional mechanisms that give poor countries and their people a voice in the process of global governance.

Ways Forward

Establish a Global People's Assembly, modeled on the European Parliament, to run parallel to the General Assembly but to serve as the voice of global civil society

Create an Economic Security Council to govern globalization, and to ensure that the UN provides an institutional mechanism for consultations on global economic policies and also, wherever necessary, to act as an international regulatory authority.

Establish a high quality Volunteer Police Force to de-politicize UN inter-vention, and enable it to provide a prompt collective security response whenever humanitarian emergencies arise.

Professor Deepak Nayyar is Vice-Chancellor of Delhi University, a member of the WIDER Board, and director of the WIDER project on 'New Roles and Functions for the UN and the Bretton Woods Institutions'. This article is based on Professor Nayyar's public lecture 'The Governance of Globalization' on 18 June 2001 at WIDER in Helsinki. Research papers from this project are available through the Institute's Web site at www.wider.unu.edu

The End of History

by Ravi Kanbur

When the Berlin Wall fell in 1989, it was famously heralded as "the end of history" the end of all "big" debates on the organization of economies and society. Triumphalism aside, there is no doubt that in the early 1990s there was a sense that a consensus could be reached on key issues of economic policy, distribution and poverty. But the 1990s saw the disastrous consequences of mismanaged transition in the formerly communist economies, the financial crises in Mexico, East Asia and Russia and, finally, the debacle in Seattle. In the year 2000, the governors of the World Bank and the IMF—organizations whose self-stated mission is to promote poverty reduction and growth—could only meet under police protection, under siege by those who believe that the policies they espouse benefit the rich and powerful. The end of history lasted such a short time!

The street demonstrations that now accompany global summits can be easily but mistakenly dismissed as being unrepresentative. But they are the tip of a whole iceberg of disagreement which includes vigorous debate in the leading newspapers, passionate involvement of faith-based organizations, as well as the genteel cut and thrust of academic discourse. The real question we face is why? Why are there such deep disagreements on key aspects of economic policy despite seeming agreement on the objective of poverty reduction?

Finance Ministries versus Civil Society

It is argued here that the reasons lie deep in the perspective and frameworks of analysis adopted by different groups. To simplify matters, and in full recognition of the fine texture of differences in individual views, we consider two groups; A and B, characterized as the "Finance Ministry" and "Civil Society" tendencies. Group A types are those who tend to believe that the cause of poverty reduction is best served by rapid adjustments to lower inflation and external deficits and the use of high interest rates to achieve these ends, internal and external financial sector liberalization, deregulation of capital controls, deep and rapid privatization of state owned enterprises and, perhaps the strongest unifying factor in this group, rapid and major opening up of an economy to trade and foreign direct investment. On each of these issues, Group B types tend to lean the other way.

FAO Photo by G. Bizzarri

Measures to empower the rural poor are crucial to development

> "Trying to understand legitimate alternative views on economic policy, being open and nuanced in messages rather than closed and hard, is not only good analytics, it is good politics as well"

Before exploring these disagreements, it is as well to record here growing areas of agreement and consensus across these groups in such areas as international public goods, the importance of education and health in conceptualizing and addressing poverty, and the key role of institutions in determining the impact of economic policy. Moreover, there is not as much of a sharp and general divide on the "markets versus state issue"—there is recognition of specific instances of market and government failure on both sides. However, these growing areas of agreement throw into sharp relief the remaining deep disagreements on economic policy, distribution and poverty.

Much of the reason for these deep differences lie in differences in perspective and framework on three key features characterizing assessments of economic policy, distribution and poverty: Aggregation, Time Horizon, and Market Power. First, Group A tends to view the consequences of economic policy in much more aggregative terms than Group B. Group A typically focuses on national measures of poverty. But it happens quite regularly that improvements in national level statistics hide a worsening for large sections of the population. This was the case, for example, for the Chiapas region in Mexico in the early 1990s. Just looking at the national statistics (which improved) could not have predicted the rebellion that was to come. The same is true, perhaps less dramatically but no less significantly, for gender and ethnic disaggregations of national poverty data.

Time Horizons

Second, Group B's major concerns are with the consequences over a time horizon which is both much shorter and much longer than the "medium term" horizon (five to seven years) which Group A typically adopts. For those who work with the daily reality of poor people's lives, and for the poor themselves, short run survival trumps medium term benefits every time, if the family is actually on the edge of survival. Many in Group A now accept this and support safety nets in general terms. However, they would nevertheless want to press ahead with economic reforms even if safety nets were not immediately in place, anticipating the medium term benefits. Over the longer term of fifty to a hundred years, many in Group B fear environmental consequences of unchecked economic growth. Group A, while agreeing that specific "corrections" are called for, are essentially techno-optimists, pointing to history to argue that predicted environmental disasters have not actually come to pass.

Third, and most potent of all, Group A instinctively approaches the distributional consequences of economic policy through a competitive market structure, while Group B instinctively thinks of a world in which market structure is characterized by pockets of market power, and economic policy feeds through this non-competitive structure to the consequences for the poor. Group B sees this imbalance at all levels, ranging from the power of the village moneylender over the poor peasant, to the power of the big corporations in a global setting. Group A essentially does not think that the much reviled multinational corporations are actually big enough in the global market place to be truly monopolistic—the basic theory and analysis of competitive markets, where no player is large enough to have market power is thus applied.

Dialogue is Needed

It is as well to consider a seeming disagreement, that on "growth". There is less here than meets the eye. Very few in Group B would argue that the disaster in transition economies had nothing to do with the negative growth experienced there, or that the disastrous impact on poverty of the East Asia crisis was nothing to do with the collapse of per capita income (i.e. negative growth which accompanied the crisis). In general, the disagreements are not about growth in its technical sense—an increase in per capita income. Who could be against that? The real disputes are about the distribution of this growth, its long run consequences for the environment, and what policy packages actually get you equitable and sustainable economic growth. The tendency among some in Group A to show the strong correlation between poverty reduction and increases in per capita income (a correlation which cannot be doubted), and to then criticize those in Group B as being "anti growth" is unfortunate. The disagreements are not on the correlation, but on the policy packages, and on Aggregation, Time Horizon, and Market Power.

Given these deep differences, the way forward is through mutual understanding and comprehension. Unfortunately, many on both sides are adopting the stance of negotiation rather than dialogue. My focus here is on Group A. Especially since Seattle, a "line in the sand", "this far, no further", mentality seems to have gripped elements of Group A—in the IFI's, in the G7 Treasuries, in the Financial Press, and among some in academia. "Give them an inch of nuance and they'll take a mile of protection" seems to be the mindset. This is unfortunate. Trying to understand legitimate alternative views on economic policy, being open and nuanced in messages rather than closed and hard, is not only good analytics, it is good politics as well. History is clearly not at an end.

The End of History?

There is a growing consensus on the importance of education and health in conceptualizing and addressing poverty

But there remain deep disagreements on policy despite seeming agreement on the objective of poverty reduction

Disagreement is rooted in differences over aggregation in poverty measures, the time horizon for poverty reduction, and the role of market power

Improvements in national measures of poverty can hide a worsening for large sections of the poor

Ravi Kanbur is T.H. Professor of World Affairs and Professor of Economics at Cornell University. This article is based on his WIDER Public Lecture 'Economic Policy, Distribution and Poverty: the Nature of Disagreements', given on 12 June in Helsinki. The text on which the lecture is based can be found at Professor Kanbur's home page: www.people.cornell.edu/pages/sk145, and is also published in the June edition of the journal World Development *(Volume 29 No.6).*

Risk, Poverty, and Safety Nets

by Stefan Dercon

Poor people in developing countries must cope with droughts, floods, illness, recession, and political instability. Much of their energy goes into coping with these shocks and into day-to-day survival, leaving little for efforts to improve their lives for the longer term. In contrast, insurance and credit markets, combined with widespread social security, provide an important cushion against poverty in rich countries.

The poor in developing countries do have some informal mechanisms to cope with risk and misfortune. These are based on self-insurance by means of savings together with family or community-based mutual assistance. Nevertheless, their scope remains limited. They are better at dealing with individual-specific *idiosyncratic* risks, such as household illness, than *covariate* or *systemic* risks associated with drought, flood, or recession. These events devastate whole communities, thereby limiting the opportunities for risk pooling within the community or via local markets.

We now know much more about vulnerability to risk, and how poor people cope. Building on the insights of micro-level studies, the WIDER project on 'Insurance against Poverty' draws lessons for policy, including the design of more effective insurance mechanisms and safety nets.

Measuring Vulnerability and Risk

The relationship between risk, vulnerability and poverty is one theme of this research. These three dimensions are closely connected, but the exact links are not that well understood. Measurement is a key issue: are vulnerability and risk completely captured by simply using available poverty measures?

In answering this question, it helps to consider two aspects of vulnerability and risk. *Ex ante*, poor people face a high level of risk that a shock will occur. *Ex post*, poor people have a limited range of options to cope with a bad shock once it has occurred.

Information on poverty does not fully capture these two aspects of risk and vulnerability. This is despite much progress in modelling transient and potential poverty, using outcome measures (such as consumption and health) as well as the asset base that the poor can draw upon to cope with bad outcomes.

Relatedly, recent work on India, Tanzania and elsewhere suggests that risk causes poverty—to the extent that it induces households to take up activities that have high security, but offer a lower mean income in the long-term. Moreover, risk can cause poverty traps; states of deprivation following large shocks to assets and income that are almost impossible to recover from. For example, evidence from China suggests that shocks are followed by only very slow recovery by poor households. We must therefore reduce vulnerability in order to maximise the growth in living standards of the poor—not just to protect them from the immediate effects of shocks.

Designing Insurance

But where markets fail, the design of policies is not self-evident. Informational problems (such as moral hazard and adverse selection) as well as the problem of reinsurance (to protect the insurer) make insurance notoriously difficult to provide in poor countries.

Nevertheless, there are ways forward. A good starting point is to understand how group, community, and household-based support systems operate. As with micro-credit, these can be an ideal starting point in delivering micro-insurance. Private and informal systems can provide some protection, but offer only limited risk sharing. Even in closely-knit communities, moral hazard and enforcement-problems limit the extent of support offered. Moreover, the support they do offer is typically for idiosyncratic risk, not covariate or systemic risk. We must therefore avoid expecting too much of mutual support within poor communities.

> We must reduce vulnerability in order to maximise the growth in living standards of the poor—not just to protect them from the immediate effects of shocks.

But we should also avoid using scarce resources to substitute for effective mutual support when it already exists. Public funds are better used in assisting network or community-based systems, and filling the gaps left by informal insurance. Such groups can provide effective monitoring and self-control, allowing an outside agent to reduce the otherwise prohibitive transactions costs that limit financial intermediation. Indeed, this may well prove the most cost-effective way to enter into social security provision; by providing insurance capital and reinsurance possibilities to groups, many of the standard crowding out problems may well be avoided.

New Initiatives

However, problems still remain. The poor are less likely to be part of community-level networks of mutual support, even for idiosyncratic risks such as ill health. Indeed, this exclusion may be one reason that

Shocks faced by rural households in Ethiopia

Event	Percentage of households reporting a hardship episode in past 20 years
Harvest failure (drought, flooding)	78
Policy shock (taxation, forced labor)	42
Labor problems (illness, death)	40
Oxen problems (illness, death)	39
Other livestock problems (illness, death)	35
Land problems (land expropriation, reform)	17
Asset losses	16
War	7
Crime (theft, violence)	3

Source: Dercon 1999.

they are poor. So, even for idiosyncratic risks, more public help is needed. Basic support systems with universal coverage offer possibilities. But the resources of very poor countries may not permit this, resulting in rationing and new mechanisms of exclusion. Since means testing is difficult and costly, a basic self-targeted system—with limited stigma and maximum access—may prove the best starting point. In addition, since the poor face diverse risks, linking micro-credit provision to basic health and other insurance policies can be cost-effective. Such interlinked contracts exploit informational and group-liability externalities.

But what do we do about covariate or systemic risk? This is the most dangerous risk for communities, since they are least able to deal with it. Insuring for large shocks, for example crop insurance, has often been unsustainable. The administrative costs of monitoring and assessing crop damage, and the costs of reinsurance, frequently undermined traditional crop insurance.

Still, there are some promising new alternatives such as rain-indexed insurance contracts. These are effectively rainfall lotteries where anyone can buy a ticket and payout occurs when a priori established poor rainfall outcomes occur. This product does not require extensive monitoring and is administratively simple.

One crucial advantage is that it is self-selecting: anyone can buy it, whether they are directly or indirectly affected by rainfall, or even just gamblers. Obviously, by its very nature, the issuer of these rainfall lotteries is exposed to potentially very high claims. Governments and their agents could protect their holdings by reinsuring these issues on international markets, tapping into the rapidly developing market of new instruments to deal with catastrophic events.

There may even be a strong macro-economic case for subsidising these schemes (including through aid). Shocks such as drought or large commodity price changes have large externalities for the economy as a whole. Insulating the producers directly is to be preferred. But since the private benefits of insurance are smaller than the social benefits (including the externalities), subsidies are warranted to avoid underinsurance, even though moral hazard puts limits on these subsidies.

Finally, we should not forget that households often use savings to self-insure. In India, for example, self-insurance via savings is far more important than mutual support for smoothing consumption over time. The key is to have good-quality savings instruments available to all.

At present, the poor have a limited choice of savings instruments and these have major shortcomings: inflation destroys monetary savings, storage losses degrade savings in kind, and covariate price cycles reduce the value of livestock. They need access to better financial products, including those provided by microsavings institutions as well as better means to pool the price risks associated with asset and goods markets. This dimension has long been neglected but provides another important starting point in helping the poor cope more effectively with risk.

Stefan Dercon is Fellow and Tutor in Economics, Jesus College, Oxford University, and director of the WIDER project on 'Insurance against Poverty'.

Selected Papers from the Project Include

Household Income Dynamics in Rural China, Joytsna Jalan, and Martin Ravallion

Inequality and Risk, Marcel Fafchamps

The Gradual Erosion of the Insurance Function of Customary Land Tenure Arrangements : the Case of Tribal Societies in Sub-Saharan Africa, Jean Philippe Platteau

Trustworthy Bridges: Intermediation in Finance and Safety Nets in Developing Countries, Jonathan Conning and Michael Kevane

Can Financial Markets be Tapped to Help Poor People Cope with Weather Risks?, Panos Varangis, Donald Larson, and Jerry Skees

Targeting and Informal Insurance, Ethan Ligon

Food-for-Work Programs as Safety Nets, Chris Barrett and Dan Clay

Risk-sharing and Endogenous Group Formation, Joachim De Weerdt

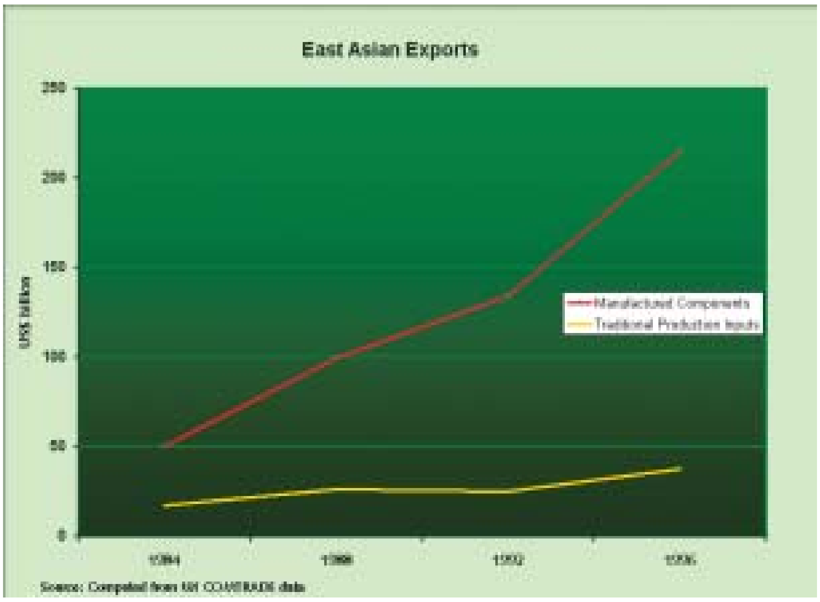
Poverty, Risk and Insurance, Stefan Dercon

These and other project papers are available from www.wider.unu.edu

Global Production Networks: Risks and Opportunities

by Henryk Kierzkowski

Globalization, a term that has entered everyday usage, means more than the intensification of trade relations. Improvements in transportation, communications and technology have resulted in a new organization of the production process. Previously concentrated productive activities can now be segmented and geographically dispersed over an international network. This may involve multinational enterprises or, instead, be contracted out as arms-lengths outsourcing transactions, when the costs of coordination are low enough to facilitate increased geographical dispersion of productive activities.



The driving force behind the intensification of international trade is fragmentation of the production process. Integrated technology, requiring production of a good to occur in one place and in "one go", is replaced by fragmented technology that breaks down the manufacturing process into separate blocks. These blocks need not be produced by one firm or in one place at the same time. They need not even be produced in the same country! The main idea of fragmentation of production was articulated by Ron Jones from the University of Rochester and myself over a decade ago.

Increased fragmentation of production leads to a finer and finer division of labour. Services, ranging from transportation and insurance to telecommunications and banking, play a crucial role in the fragmentation process, because they form the links between various production blocks.

A key feature of globalization in the eyes of many is offshore production of parts and components for an increasing variety of goods and services. This is not new, as companies in a variety of industries have long used outside suppliers for parts and components. The auto industry comes immediately to mind. But outsourcing in the past tended to revolve more around domestic suppliers than foreign.

The New Division of Labour

What is new, is the increasing importance of the off-shore element in outsourcing and the growing role of low-wage countries in that development. What has made this growth possible has been the recent revolution in communications and related technologies and a sharp reduction in coordination costs that came with it. With ***the death of distance***, to borrow the title of a recent book in this area, the scope for modularizing and reorganizing production processes has increased considerably. No wonder that the countries of East Asia have been exploiting, in a good sense of the word, new opportunities. The figure shows the dynamics of the traditional East Asian exports against exports of manufactured components. The later grew at a pace twice as fast as the former over 1984 -1996. This phenomenon is now spreading across Europe.

Off-shore sourcing can occur in a variety of settings, but its common objective is to reduce the cost of the final product. Typically, companies in high-wage countries will utilize offshore sourcing to reduce labour costs. Not only parts and components, but final assembly and a variety of services may be subject to offshore procurement. Cheap labour need not be, however, the main reason why a large firm from a capital-rich country may wish to establish components production in a low-wage country (moving there its labour intensive stages of production). Professor Fukunari Kimura has presented a fascinating case of Fujitsu Ltd. moving from Japan to the Philippines not labour but the most capital-intensive stages of the production of hard disc drives. (The case is documented in the book by Cheng and Kierzkowski referred to at the end of this article.) The main reason for this astonishing result is that a new generation of disc drives is introduced about every two years

(continued on page 6)

and hence new and extremely expensive machines have to be amortized in such a short period of time. With three production shifts, capital equipment and facilities are fully utilized in The Philippines, an arrangement that Japanese trade unions are apparently not willing to accept.

Fragmentation of Production

New patterns of production and trade emerge in response to fragmentation of production. In a multi-commodity world it takes just one good to capture the benefits of trade. Similarly, it is enough to have comparative advantage at a single production stage to break into international markets without any need at all to be an efficient producer of the entire product.

Fragmented production is more complex than integrated production, because it requires that individual production blocks be connected by service links. These links can be thought of as consisting of bundles of activities—coordination, transportation, telecommunications, insurance, financial services, and so on. Efficient production requires, among other things, that the quality of intermediate goods produced at various stages remain within quality parameters and that production moves seamlessly from one stage to the next. The so-called "just-in-time technology" can be seen as a natural outcome of the fragmentation of production.

Fragmentation of production presents new opportunities for various countries but, alas, it is also associated with considerable risks and dangers. Malaysia can become a major sub-contractor for Nike and this is in general a positive development. After all, would many kids in North America, Europe and indeed in Asia buy fancy basketball shoes without an extensive (and hugely expensive) distribution network set up in those market and without top super-stars advertising the product continuously on television world-wide? But what if Nike decides to move its overseas production from Malaysia to another country? This could easily happen for a variety of reasons: service links, such as the Internet, could become less dependable or more costly, financial or currency crises could reduce or even eliminate the local cost advantage, or political instability could put in question the security and dependability of the supply.

International production networks are like social clubs: you sometimes need to meet very stringent conditions. However, the continuity of membership is not at all assured and a country may be forced to leave the club. Ultimately, every country has to face Groucho Marx's dilemma and decide for itself whether it is worth joining such a club.

Henryk Kierzkowski is Professor of Economics at the Graduate Institute of International Studies in Geneva. This article is based upon Professor Kierzkowski's public lecture at WIDER on 1 May 2001. For more on global production networks see Leonard Cheng and Henryk Kierzkowski (eds) ***"Global Production and Trade in East Asia"****, Kluwer, Boston, 2001; and Sven Arndt and Henryk Kierzkowski (eds)* ***"Fragmentation: New Production and Trade Patterns in the World Economy"****, Oxford University Press, New York 2001. Further information about both books is available at:*

www.wkap.nl/book.htm/0-7923-7330-8 and

www.oup-usa.org/toc/tc_019924331X.html

2001 WIDER Annual Lecture

Horizontal Inequalities: A Neglected Dimension of Development by Professor Frances Stewart. 14 December 2001, 16.00-18.00 at Marina Congress Center, Helsinki, Finland.

This lecture will focus on horizontal inequality, i.e. inequality among culturally defined groups (e.g. the Malays and Chinese in Malaysia, Hutus and Tutsis in Rwanda, or Catholic and Protestants in N. Ireland), and the implications this has for social stability, conflict and economic development.

Frances Stewart is Professor of Development Economics and Director of the International Development Centre, Queen Elizabeth House, at the University of Oxford.

Visitor Programme 2002

Applications are invited for **Research Interns** and **Short-Term Sabbaticals** to collaborate with and contribute to the work of WIDER. Based in Helsinki, interns are PhD students, and sabbaticals are researchers and academics, from around the world. Financial support will be available to successful applicants. Prospective interns should apply with a research proposal, brief CV and a letter of reference, sabbatical applicants with a detailed CV, list of publications, research proposal and preferred dates. Full details and an application form are at www.wider.unu.edu or by writing to WIDER at the address on p. 12.

The United Nations University

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World Institute for Development Economics Research

WIDER Conference on

the New Economy in Development

Helsinki, Finland 10 - 11 May 2002

▶ The world economy is undergoing a fundamental structural change driven by both globalization and the revolution in information and communication technology (ICT). Rapid improvement in quality and a sharp decline in the prices of ICT equipment and software, the convergence in communication and computing technologies and the swift growth in network computing are the driving forces of the ICT revolution. The superior economic structure expected to arise as an outcome of the new industrial revolution is called the 'New Economy' in the business press. The argument is, simply put, that a business firm, an industry or an economy which is able to successfully utilize these global trends will eventually outperform its rivals. And, indeed, the casual evidence for the New Economy was strong in the late 1990s. The stock market boomed, powered by ICT and 'dotcom' companies. GDP and labour productivity growth rates also accelerated in the United States, generally regarded as the leading New Economy.

▶ But what empirical evidence is there to substantiate the benefits of the New Economy more generally? Now that the stock market has taken a dive and economic growth has slowed down in the United States and Europe, this question is of course important to people in the industrialized countries. But it is even more important to the billions of people living in countries that have yet to share in the benefits of the New Economy. Will there be any benefits, and if so, how can they be achieved? Is ICT becoming a factor contributing to the widening of income differentials between countries? Or was the New Economy just a bubble created by huge investment funds chasing too few investment opportunities?

▶ Building on the recent debate, the WIDER conference will review what is presently known about the impacts of the New Economy. The conference seeks to attract contributions which analyze the impacts of the production and/or use of ICT on economic growth, productivity, income distribution, wages, employment, the stock market, location of production, organization of work, etc. Papers on the relevant policy issues, such as property rights, digital divide and regulation are also most welcome. Contributions documenting and analyzing the New Economy in developing and transition countries will be given special consideration.

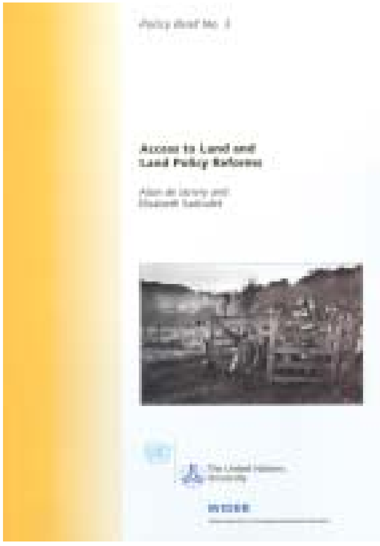
FOR APPLICATIONS AND FURTHER COMMUNICATION: e-mail: ned@wider.unu.edu, fax: +358 9 61599333
WIDER, Katajanokanlaituri 6B, 00160 Helsinki, Finland, www.wider.unu.edu

WIDER Publications

New Titles

Policy Brief 3 *Access to Land and Land Policy Reforms*

by Alain de Janvry and Elisabeth Sadoulet, April 2001



A policy-focused summary of the WIDER project volume *Access to Land* (see Books). This Brief presents the main results obtained in the research, where the objective is to analyse different mechanisms of access to land for the rural poor in an era where redistribution through expropriative land reform is largely inconsistent with the forces of the political economy. The array of mechanisms is vast, and each can be subjected to specific policy interventions to make them more effective for sustainable poverty reduction.

Policy Brief 3 can be ordered in bulk quantities. Please contact Adam Swallow for further details swallow@wider.unu.edu

WIDER *Discussion Papers*

This new series (issn 1609-5775) is available to download from www.wider.unu.edu

Launched in May 2001, new titles are added monthly and this list covers May and June.

DP 2001/26 Halvor Mehlum, Karl Ove Moene and Ragnar Torvik: The Market for Extortions

DP 2001/25 James C. Sesil, Douglas L. Kruse and Joseph R. Blasi: Sharing Ownership via Employee Stock Ownership

DP 2001/24 Laixiang Sun: Economics of China's Joint-Stock Co-operatives

DP2001/23 Gaim Kibreab: Displaced Communities and the Reconstruction of Livelihoods in Eritrea

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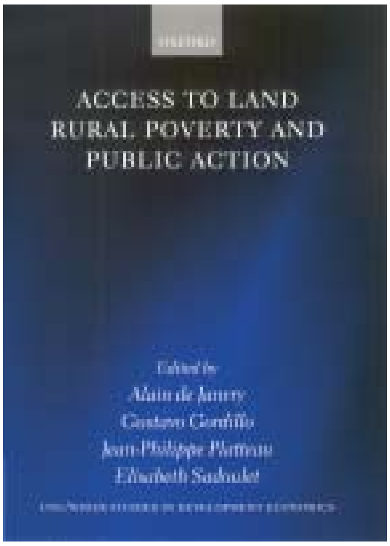
Books

Access to Land, Rural Poverty, and Public Action

Edited by Alain de Janvry, Gustavo Gordillo de Anda, Elisabeth Sadoulet and Jean-Philippe Platteau



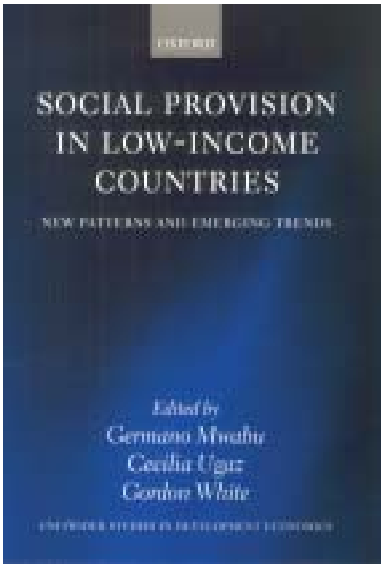
WIDER Studies in Development Economics, Oxford University Press, March 2001

Redesigning access to land to increase efficiency and reduce poverty is back on the policy agenda. This book broadens the analysis beyond state-led redistributions to consider channels of access such as inheritance and inter-vivos transfers, intra-household and intra-community land allocations, community titling of open access resources, the break-up of common property resources and the individualization of rights, decollectivization, land markets, and land rental contracts. Each of these channels of access to land is analysed, and recommendations made to enhance their effectiveness for poverty reduction.

Social Provision in Low-Income Countries: New Patterns and Emerging Trends

Edited by Germano Mwabu, Cecilia Ugaz and Gordon White

WIDER Studies in Development Economics, Oxford University Press, April 2001

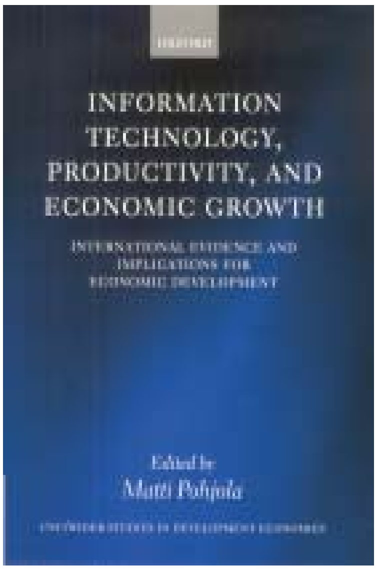


Showing that neither the market nor the state alone offers solutions to efficiency and equity problems commonly encountered in social sectors in poor nations, this collection offers innovative ways to address these important problems, favouring an integrative approach to social provision.

Information Technology, Productivity and Economic Growth: International Evidence and Implications for Economic Growth

Edited by Matti Pohjola

WIDER Studies in Development Economics, Oxford University Press, April 2001



That the IT revolution will change the world is a view that must derive from the visible impact it has had on productivity and economic growth, but how can we measure this impact and how large is it? This collection presents new micro- and macro economic evidence to show that in recent years IT investment has exerted a strong influence on productivity and economic growth in many industrial and newly industrialized countries. It also identifies national IT strategies to promote participation in the information economy.

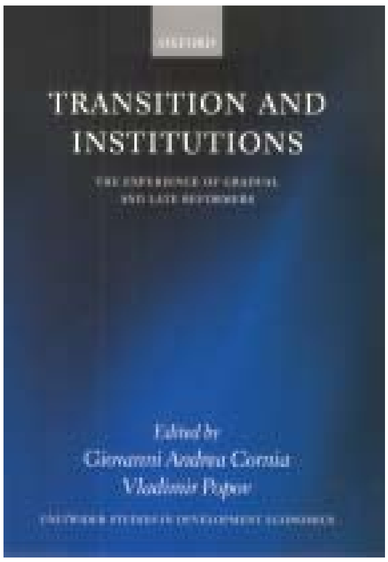
Forthcoming books

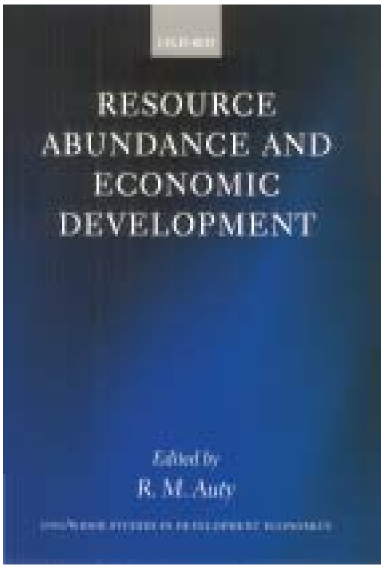
Transition and Institutions: The Experience of Gradual and Late Reformers

Edited by Giovanni Andrea Cornia and Vladimir Popov

WIDER Studies in Development Economics, Oxford University Press, July 2001

This volume reviews the often-neglected role of initial structural and institutional conditions and their subsequent development during the course of transition. Focusing on China, Russia, Central Asia and Vietnam it also covers economies like Cuba and North Korea which are in the very early phases of the reform process.





Resource Abundance and Economic Development

Edited by Richard M. Auty

WIDER Studies in Development Economics, Oxford University Press, July 2001

Explaining the disappointing performance of resource-abundant countries by extending the growth accounting framework to include natural and social capital this collection draws upon historical analysis and models to show that a growth collapse is not the inevitable outcome of resource abundance and that policy counts.

Comparing Regionalisms: Implications for Global Development

Edited by Björn Hettne, András Inotai and Osvaldo Sunkel

The New Regionalism series, volume 5, Palgrave, November 2001

This summarizes the WIDER international research project on the formation of world regions, and what implications this process will have for the future world order, particularly as far as the issues of peace and development are concerned. This last volume in a series of five focuses on comparative research, covering all important regions of the world.

EMU: Impact on Europe and the World

Edited by Charles Wyplosz

WIDER Studies in Development Economics, Oxford University Press, November 2001

Now that EMU is here and likely to stay, the 'second generation' of research is under way. This volume presents a significant sample of that research and explores questions such as: How do central bankers who used to run their own banks now melt into a single pot? Are labour markets going to shape up? Is the euro becoming a world currency?

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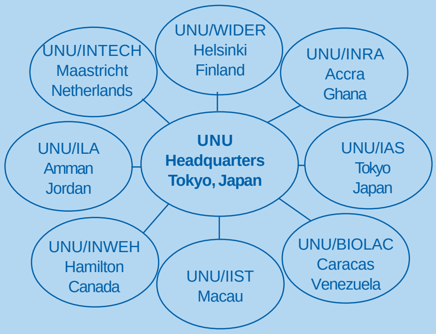

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Printed by Forssa Printing House
Finland, 2001
ISSN 1238-9544