



## Tony Shorrocks, new WIDER director

Photo by Kimmo Brandt



**P**rofessor Tony Shorrocks becomes director of WIDER on 1 January 2001. He succeeds Professor Giovanni Andrea Cornia, who was the Institute's director from early 1995 until the end of 1999. Professor Matti Pohjola served as Acting Director during 2000.

Professor Shorrocks is a leading scholar in the field of income distribution, and a Research Professor at the University of Essex. His research has focused on methods to measure and analyse inequality, poverty, and income mobility. He has published widely on these issues in international economic journals such as *Econometrica*, the *Review of Economic Studies*, the *Economic Journal* and *Economica*.

More recently he has been working on the social problems facing Russia in the post reform era, while a Visiting Professor at the New Economic School in Moscow.

He was previously Professor of Economics at the University of Essex, UK, Director of Economic Research for the British Household Panel Study, and a Lecturer and Reader in Economics at the London School of Economics. He has also been a Visiting Professor at the European University Institute in Italy, Southern Methodist University in the United States, and Queen's University in Canada, and has acted as a consultant to the World Bank. In 1996 he was elected a Fellow of the Econometric Society.

## Professor Jagdish N. Bhagwati delivers WIDER 2000

### Annual Lecture Globalization and Appropriate Governance

**G**lobalization has become a buzzword. To many, particularly to those who participate in street theatre, it has also become a four-letter word. There are at least two reasons for this.

First, there is the 'tyranny of the missing alternative'. The triumph of capitalism, and the collapse of a practical alternative with the final demise of the Marxist and Soviet models, has led to great dissatisfaction among idealistic youth. The sociologists and literary theorists among these disaffected youth react violently to what they see as the B-52s of capitalism: the multinational corporations, the growth of global trade and investment, the Davos and other celebrations of globalization by the capitalist elites, and so forth.

Second, the influence of the post-structuralist deconstructionists such as Derrida in literary theory also feeds a nihilistic attitude. By dismantling the logic by which any system of thought – and behind that a whole system of political structures and social and economic institutions maintains its force – deconstructionism has essentially turned several of its adherents into anarchists, producing the paradox that a highly intellectual doctrine has led to a grossly anti-intellectual outcome. Today's anarchists ironically come from Derrida, not from Bakunin: how the world has changed!

### The Policy Scene

But, leaving aside the manifold reasons why there is hostility in the air towards globalization, the policy scene divides into two camps. First, there are the intellectuals and economists who argue that economic globalization, as a central tendency, is

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economically benign: it is good for economic prosperity in the sense that globalization increases the size of the economic pie that can be shared out. Second, there are the street people and several NGOs who feel that it is socially malign: on dimensions such as gender, poverty in poor countries, worker's wages in the rich countries, a 'race to the bottom' in regard to labour and environmental standards at home, the impact on culture and indigenous culture, and so forth.

I would argue, however, that – as a central tendency – economic globalization is good, not just for economic prosperity but also for social agendas. In short, all good things do go together here. This argument can be illustrated by addressing the questions of gender, as well as discrimination and poverty in the poor countries. Other allegedly malign social impacts can be refuted as well.

### **Governance of the Globalization Process**

Depending on which economic globalization one is talking about, there has to be institutional support for open trade. The fear of insecurity arising from perceptions of increased volatility has to be met by providing 'adjustment assistance' programmes. Financial liberalization, resulting in greater short-term capital flows, must be done cautiously and with adequate monitoring and regulatory mechanisms in place.

Since globalization is benign only as a central tendency, there are bound to be occasional unanticipated downsides. To handle those as well, institutional mechanisms are needed. For example, shrimp farming (a massive export industry for some countries) has now been shown to hurt traditional fishermen in adjacent mangroves. This disexternality should be dealt with by means of the 'pollution pay principle', together with mechanisms to compensate and assist the poor among those who have already been



hurt. These are much better responses than the demands of environmentalists and human-rights activists that exports should be cut off instead.

International institutional mechanisms also need to be examined and reshaped to include added trigger mechanisms to support economic globalization. For example, when the WTO Dispute Settlement Mechanism correctly finds against the EU preferences for bananas from the Caribbean countries, the World Bank should immediately provide the funds necessary to offset the huge loss of income for these small and poor countries.

Again, international institutions should be expected to specialise. For instance, the demands of trade unions in rich countries for a Social Clause in the WTO are better handled by the ILO, the agency charged with the advancement of these complex agendas. International agencies must also be created where they are non-existent or inadequate. A World Migration Organization to review and monitor the flow of refugees together with legal and illegal migrants across the world is badly needed. Many commentators think that the UNEP should be replaced by a WEO

(World Environmental Organization) to address world environmental questions.

Finally, within international agencies, the question of 'listening' to the voices of civil society groups – unelected as they are, and grossly disproportionate in their funds and influence between the rich and the poor countries and constituting a massive form of 'non-economic' globalization – must be addressed as well.

Photo by Mikko Kaseva



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*Visit the University of Columbia for detailed information on Professor Bhagwati and his publications at:*

*[www.columbia.edu/%7Ej38/](http://www.columbia.edu/%7Ej38/)*

# By Invitation Child Well-Being in an Expanding EU

by John Micklewright and Kitty Stewart

The accession of up to 13 new members in the next decade is the most important development now facing the European Union (EU). Naturally, the credentials of the applicants are under careful scrutiny. But the expansion of any club provides an opportunity to look in a mirror and consider the state of the existing membership as well.

The best-known criteria for EU membership, and those which form the corner-stone of negotiations over accession, are the economic ones. Applicants must have a functioning market economy and the capacity to cope with competitive pressures. However, the 'Copenhagen

Criteria' governing EU entry are much wider than this, with a strong emphasis on stability of institutions guaranteeing democracy – and on human rights.

In our research we have argued that the European Commission's reports on progress towards accession of the 10 applicant countries from Central and Eastern Europe (CEE) pay insufficient attention to economic, social and cultural rights within the overall heading of 'human rights'. Mention of particular problems is made in certain countries, e.g. the state of orphanages in Romania. But there is no comprehensive effort to measure outcomes that reflect whether these sorts of human rights are being fulfilled.

Similarly, we argue that the Commission's analysis of living standards among the existing EU members has taken too narrow a view of 'economic and social cohesion', the strengthening of which is one of the EU's principal goals. The Commission's first (and only) cohesion report to date, published

towards similar opportunities for European children wherever they are born.

The importance of children's well-being to Europe's future is underlined by considering the socialist inheritance of the CEE countries in terms of

state socialism's impact on human development.

The comparative advantage of socialism over capitalism in the field of family policy is often exaggerated, as is the extent of 'cradle to grave' support that was provided. Nevertheless, it is broadly the case that policy in socialist countries attached much greater emphasis

to some aspects of children's development than was the case in other countries at similar levels of national income. The results in terms of health care and educational outcomes can still be seen today, despite the upheavals of the past decade. It is partly *because of* the past investments in children in the CEE region that the EU is now able to contemplate applications from countries that in some cases are hugely adrift in terms of national income.

Current investments in children in the CEE countries are of vital importance if transition is to result in greater cohesion in the long-term in an expanded Union. Development missed out on during childhood is not easy to recoup in later life.

Photo by UNICEF Finland

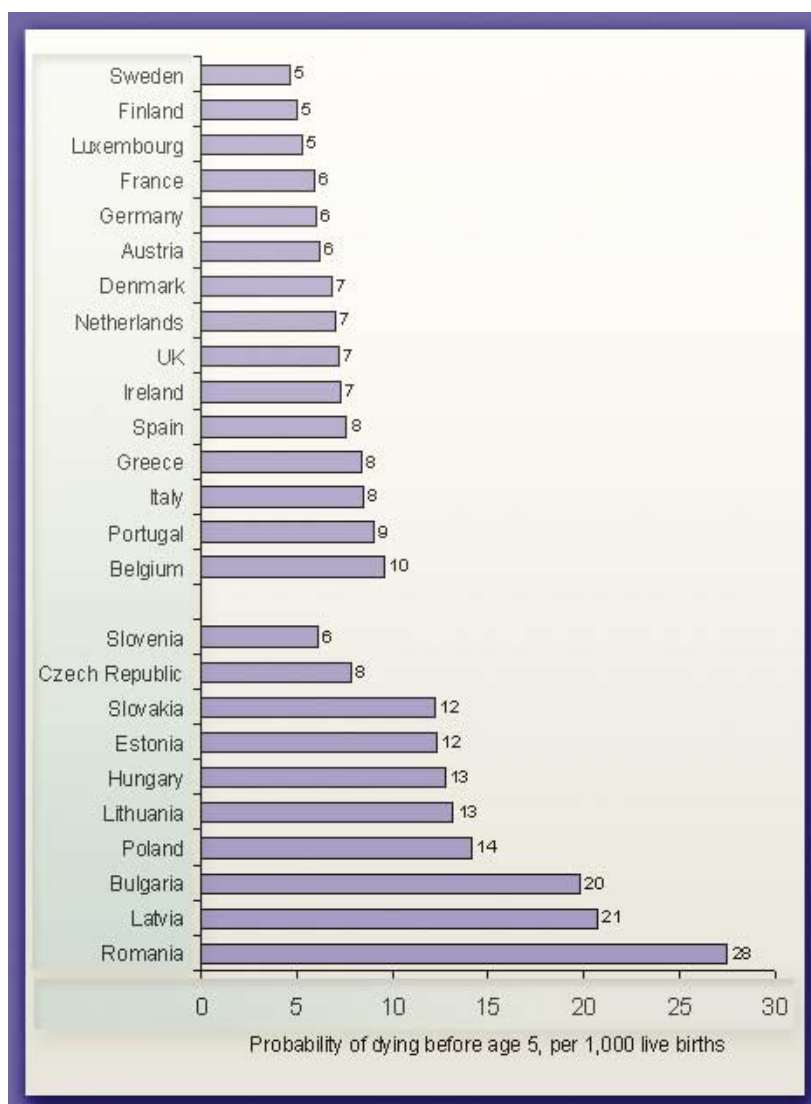


Neglected child with HIV in Kaliningrad

in 1996, defined cohesion to imply 'greater equality in economic and social opportunities' but stuck to disappointingly traditional measures of opportunity, largely employment and average income. We urge for a broader vision of cohesion, one that takes a wider view of development and of individual well-being, similar, for example, to that of the UNDP's *Human Development Reports* and the associated 'capability' approach of Amartya Sen.

Both of these subjects – the inspection of EU applicants and the analysis of cohesion among existing members – leads naturally to attention to the position of children. Convergence in well-being across the Union, whether defined as 15 or 25 (or 28) members, means moving

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Greater inequalities in health and educational opportunity may affect particular groups of children. And all children may suffer if public expenditure on education, for example, falls sharply. None of this will aid cohesion in the future EU.

Implementing human rights or strengthening cohesion involves change to policies. However, policies as represented by legislation and administrative frameworks provide an insufficient guide to what actually happens in practice. We therefore focus in our research on outcomes across a range of dimensions of well-being – the material welfare of children (child poverty), their health, and their educational attainment.

The graph provides one example. The poorer CEE countries of Bulgaria, Latvia and Romania stand out as having under-5 mortality rates (U5MR) substantially above those of EU members. But several applicants are not too far out of line. The Czech Republic is within the EU range while Slovenia has a rate *below* the EU-15 average. If member states with a higher rate were to have had the Slovenian U5MR, there would have been 4,000 fewer deaths among children of this age in the EU-15 in 1996. The possibility that any applicant actually has an absolute advantage over current EU members in any dimension of living standards is something that is completely overlooked in both media and

academic focus on the relative economic strengths of the two groups of countries.

Not surprisingly the situation varies across the different areas of child well-being that we consider. But the general pattern is reasonably clear: there are often wide disparities in performance among both CEE applicants and EU members and, while applicants often lag behind on average, a simple story of all the members performing better than all the applicants (as is the case with GDP per capita) is frequently far from the truth.

It is not our purpose to argue that applicants to the EU should only be admitted if they have an U5MR below a given level, or that the benefits of existing members be suspended if they exceed it (on the grounds that this constitutes a ‘serious and persistent breach’ of human rights under the Treaty on Union). But we do see attention to such indicators of economic, social and cultural rights as a vital part of the process of judging living standards and policies in the EU club – both applicants and current member states.

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*This article draws on the authors’ UNICEF Innocenti Research Centre Working Paper 75, ‘Child Well-Being in the EU – and Enlargement to the East’, which may be downloaded from:*

[www.unicef-icdc.org/pdf/iwp75.pdf](http://www.unicef-icdc.org/pdf/iwp75.pdf)

# Globalization, Marginalization and Development

by S. Mansoob Murshed

The WIDER research project on 'Globalization and the Obstacles to the Successful Integration of Vulnerable Economies' is concerned with the problems faced by marginalized developing countries in the process of globalization. Apart from a number of 'emerging' economies, and the larger, more populous, developing countries (LDCs), the benefits of the increased globalization of trade, investment and finance in the last two decades, have left behind much of the developing world. The gap between richer and the poorest countries appears to be widening.

Table 1 shows the extent of this marginalization, which can be traced back to 1960. It lists 42 developing countries that are growth failures. These countries have recently recovered the standard of living that they had attained between ten and forty years earlier. Graph 1 shows the same information, this time with the countries that are growth failures below the trend growth line. This also tells us that not all countries that were poor in 1960, remain poor today. Contrast Singapore with the Democratic Republic of Congo (DRC), both of whom were poor in 1960. Singapore grew faster and benefited from globalization, whereas the DRC did not.

## The Challenges

So, what policies are necessary to arrest marginalization and achieve sustainable development in an era of globalization? Some specific findings from the project include the following.

First, the WIDER study emphasises that good quality institutions – particularly political rights, the rule of law and government capability – promote growth. Our findings therefore complement the results in

**Table 1. Decade during which economies with a poor growth experience reached their present real per capita income level.**

1960 or before	During 1960s	During 1970s	During 1980s
Central African Republic	Cote d'Ivoire	Burundi	Kenya
Chad	Mauritania	Cameroon	Democratic Republic of Congo
Democratic Republic of Congo	Togo	Gabon	
Ghana	Botswana	Malawi	Ecuador
Liberia	Jamaica	Mali	Paraguay
Madagascar		Nigeria	Trinidad and Tobago
Niger		Zimbabwe	
Rwanda			Jordan
Senegal		El Salvador	
Sierra Leone		Guatemala	
Somalia		Guyana	
Zambia		Moldavia	
		Peru	
Haiti		Algeria	
Nicaragua		Iran	
Venezuela		Saudi Arabia	
		Philippines	
<b>Total: 13</b>	<b>Total: 5</b>	<b>Total: 16</b>	<b>Total: 6</b>

Note: This table has been adapted from the UNDP's 'Human Development Report 1996'

WIDER's project on Resource Based Development. Most importantly, reliance on 'point' source natural-resource based products (such as oil) can diminish growth, since resource – rich countries experience greater rent-seeking (and often conflict as well) – which is harmful to productive investment. To increase the benefits of globalization, governments need to increase the skill level of the labour force, thereby assisting the absorption of new foreign technologies.

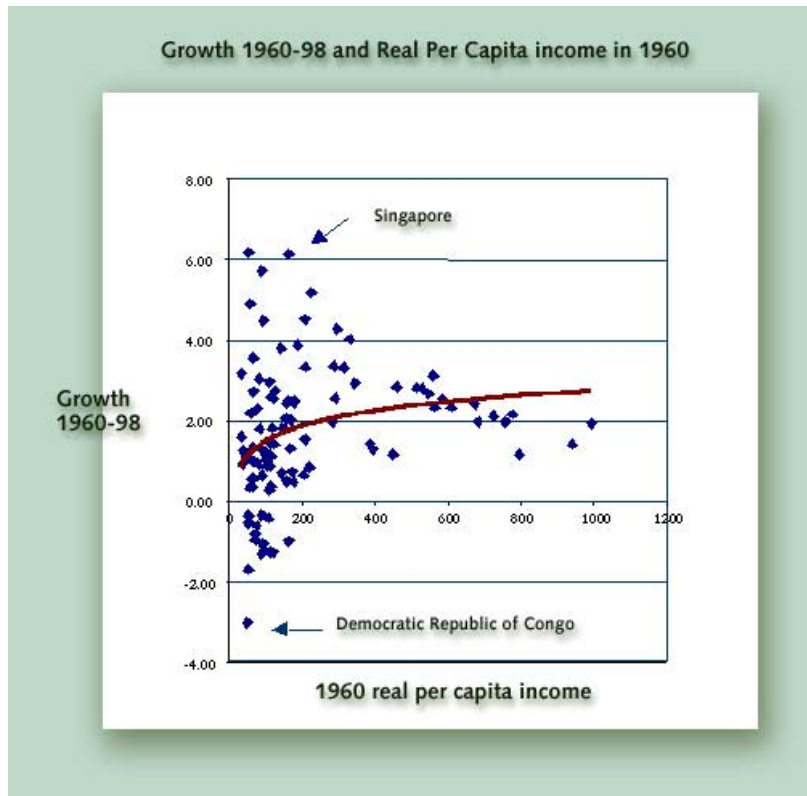
Second, one of the major obstacles to successful export promotion by developing countries is the manner in which the present WTO rules allow for anti-dumping (AD) actions to be brought. The mere threat of an AD action lowers exports and results in expensive lawsuits for poor countries. Dumping implies injury to the domestic competing sector of the importing country. The present system lacks transparency, and is inherently discriminatory towards LDCs in two respects: the reference

price for comparison is often from a richer country, and the practice of cumulating market shares across many small exporters. It would be far better to use safeguard measures as these provide temporary relief from trade related injury. This method would yield a double dividend as it takes into account both the interests of consumers in richer countries and the interests of exporters in poorer nations.

Finally, the WIDER study emphasises the importance of country commitment to the globalization process. It is far superior to seek fairer and more open market access in developed countries than to lobby for special exception to WTO rules requiring reciprocating most favoured nation status. In this regard, LDCs need more technical assistance to cope with WTO rules and regulations.

In these ways, the more marginalized LDCs can benefit from globalization. But they also need greater resource

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transfers and debt forgiveness, help in building institutional capability and less protectionism towards their goods entering markets in the developed world. These are tough challenges, but they must be faced.

*Dr Syed Mansoob Murshed is a Research Fellow and the Director of the WIDER project on 'Globalisation and the Obstacles to the Successful Integration of Small Vulnerable Economies', and the co-director of the project 'Why Some Countries Avoid Conflict while Others Fail', with Dr Tony Addison.*

*More information on these projects and related publications are available at:*

*[www.wider.unu.edu/research/research.htm](http://www.wider.unu.edu/research/research.htm)*

## New WIDER Project on Conflict and its Causes

### ‘Why Some Countries Avoid Conflict while Others Fail’

WIDER has undertaken considerable work on conflict and reconstruction in recent years, reflecting the importance of this issue in the world today. In its current research programme, the Institute has a new project, on ‘Why Some Countries Avoid Conflict while Others Fail’.

Understanding why some societies fall into intense and violent conflict while others remain stable is a critical issue for the international community in its efforts to both prevent and resolve conflict. The economic causes of conflict include contests over both natural resource wealth, public spending, and the revenues available from political control of the state, as well as the desire to redress grievances arising from regional, ethnic and income/asset inequalities. Understanding the incentives of potential and actual

belligerents is therefore of paramount importance, and this in turn must be based on an

Photo Yugoslavia/Lemovne, UNICEF



The tragedy of the Balkans

assessment of the costs and benefits of conflict versus peace to different social actors. Moreover, these incentives are critical to understanding why peace negotiations and economic reconstruction break down, how third-parties can get belligerents to credibly commit to peace and economic reconstruction, and the impact of different strategies for economic development on the probability that social stability rather than conflict will prevail.

The project explores the issues through both conceptual and empirical papers, focusing on a range of conflict and non-conflict countries. A first project meeting was held in October 2000 in Helsinki. Tony Addison and Mansoob Murshed are co-directors of the project. Further details, and papers, are available on the Institute’s website ([www.wider.unu.edu](http://www.wider.unu.edu)).

# New Patterns of Social Provision: Towards Welfare Pluralism

by Germano Mwabu, Cecilia Ugaz and Gordon White

Human development indicators have improved considerably over the last thirty years. Nevertheless, poverty remains widespread and deep. The World Bank's *World Development Report 1990* projected that the total number of the poor – defined as people surviving on less than PPP\$ 1 per day – would have fallen from 1,125 to 825 million between 1985 and 2000. Yet, the Bank's recent assessments indicate that the original target will be missed by a wide margin. The number of poor worldwide was expected to approach almost 1,300 million by 2000. In Africa, the situation remains particularly bleak, the result of structural economic weakness, the unfolding of armed conflict and the spread of HIV/AIDS. In low-income countries, social needs for basic education, health care, safe water, and sanitation, remain unmet.

Getting social provision right is therefore a high priority for governments and the development community. But what form should social provision take? In recent years, many countries have moved away from the traditional 'welfarist' approach that accords pre-eminence to the state as provider and funder in the area of social provision. Instead, a market-driven approach has become fashionable. This assigns a larger role to the private-sector in social provision, with state provision scaled back to focus on services for the very poor. But a third option is emerging, a

model that factors in the capacity of civil society.

## Ensuring Access to Social Provision

State organisations dominated social provision from the 1950s to the late 1970s, but came under increasing criticism. It was argued that incentives were wrong; state officials

because primary education, health care, and other such services benefit society as a whole, not just the individual recipient. These are important 'externalities', which are typically under-supplied by the private sector. Moreover, immunisation and primary schooling can be 'merit goods'; individuals may not accurately assess the consumption benefits of these, leading to their under-consumption.

Recent evidence for low-income countries shows that the market-based approach has, in some cases, led to under-provision of these services and to a reduction in their utilisation. The results have been a worsening of equity, and a reduction of

human capital. Hence, while private provision can have an important role, unfavourable outcomes have dampened earlier enthusiasm for market-based approaches as the *only* solution to social provision.

## Towards New Partnerships

Given that neither the state nor the market offer complete solutions to the efficiency and equity problems encountered in the area of social provision, new ways forward must be found. It is now widely recognised that civil society – community, religious, and neighbourhood organisations, and NGOs – must be more closely involved in the provision of social services. This new trend is supported by WIDER research. The new approach is one



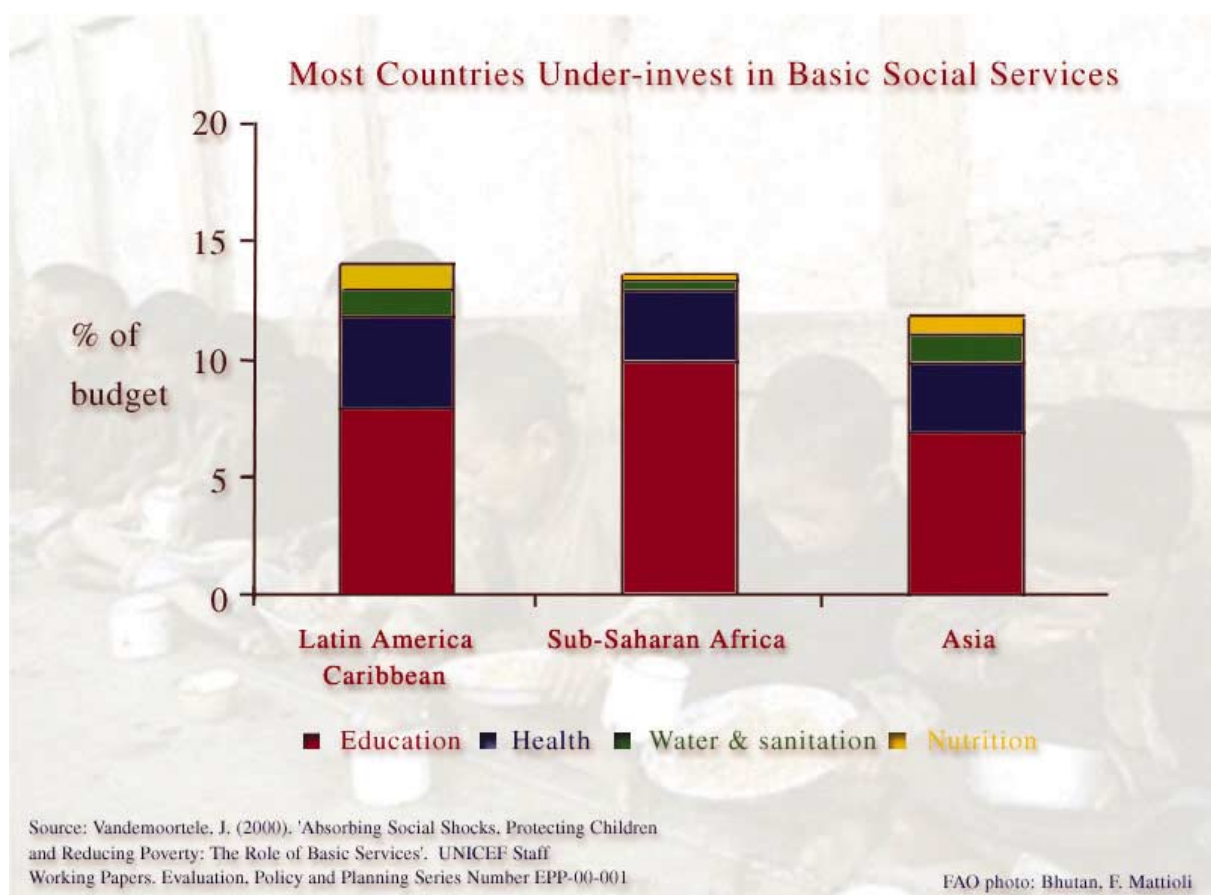
Photo by Pan American Health Organisation

*Vaccination saves lives in Peru*

did not have the incentive to put resources to their best use; and setting low or zero prices for services led to their 'overuse'. State provision was seen as neither efficient nor equitable by advocates of market-based provision. They favoured an increased role for the private sector in social provision, leaving the state as the residual provider for the poor. This approach became increasingly popular in the 1980s, in part because of the policy conditionality attached to structural adjustment lending.

However, there are also serious problems with market-based social provision and these limit the ability of the private sector to act as sole provider. The state became involved in social provision in the first place

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of *welfare pluralism*. Social provision must involve the efforts of many providers – the state, the market, and civil society. This will help to avoid the familiar inefficiencies of state supply and the social exclusion sometimes associated with market provision.

Although civil society has many capabilities – it can be a low cost provider, it can respond directly to community needs and it seems to be in a better position to reach the poor – it does need support. First, it needs an enabling environment; governments must reduce impediments, such as over-zealous regulations, that constrain the formation and operation of civil society organisations. Second, civil society needs support in building its management capacity in the area of social provision. But in providing this support there is a danger that outside assistance can change the nature of civil society itself, for example by bureaucratising it, so that it becomes less responsive to local

needs – leading (in extreme cases) to a loss of legitimacy with local people. For this reason, assistance to civil society in the area of social provision must be undertaken in the context of mechanisms that allow community feedback on the effectiveness in social provision.

The research undertaken by WIDER finds that the appropriate mode of social service provision depends on the nature of the service delivered. Even so, in the case of basic social services we can emphasise four key elements. First, state involvement in the provision and financing of social services is highly desirable since otherwise many vulnerable people are excluded from access. Second, efficiency of provision must be enhanced so that scarce resources can stretch further. Third, it is desirable to devolve responsibilities for social service provision to lower levels of government. Local provision can often respond more readily to demand. But, if it is to lead to

efficient and equitable outcomes, decentralisation must first and foremost involve the participation of individuals and communities as stakeholders. Finally, social service providers should be co-ordinated and regulated to ensure that the work of the multiplicity of providers meets social goals. Welfare pluralism is therefore the way forward in social provision.

*The authors were co-directors of a WIDER project on social provision. The project results will be published as Social Provision in Low-Income Countries: New Patterns and Emerging Trends, Oxford University Press for WIDER (May 2001). Germano Mwabu is a lecturer in the Department of Economics, University of Nairobi, Kenya, and was formerly a research fellow at WIDER. Cecilia Ugaz is a research fellow at WIDER. The late Gordon White was Professorial Fellow at the Institute of Development Studies, University of Sussex, UK.*



# Current WIDER Research Projects

## 1. Transition

### 1.1 Privatisation, Unemployment and Welfare in China

Project Director  
Professor Ashwani Saith

The last few years has seen mounting concern in China over rising unemployment, income inequality, the appearance of a permanent class of paupers, and the provision of health and education. The privatisation and restructuring now underway will, in the short term at least, exacerbate unemployment. These difficulties have thrown into question the viability of the 'Chinese road to the market' and may lead China to devalue, thereby threatening Asia's fragile recovery. This project, to be conducted with Chinese partner institutions, will assess the issues and make policy recommendations on how to best deal with this phenomenon.

### 1.2 Micro-simulation of Tax-Benefit Reforms in Russia

Project Director  
Professor Tony Shorrocks

Micro-simulation models play an important role in policy analysis in developed economies, including assessments of the distributional impact of tax and benefit reforms. The objective of this project is to design a tax-benefit model for Russia and to assess the opportunities for constructing similar models for other developing and transition economies. The model will be used to assess how policy actions can help mitigate the impact of economic events on those most at risk. It is hoped that this work will make an important contribution to policy formulation in Russia in future years.

## 2. Sub-Saharan Africa

### 2.2 Institutional Capabilities, Reform Ownership and Development in SSA

Project Director  
Professor Steve Kayizzi-Mugerwa

Past policies, an erroneous approach to adjustment, and 'geography' are repeatedly cited as explanations for Africa's poor performance. But, weaknesses in the institutional capacity of the African State may be as important. In particular, economic policies continue to be donor-driven in many cases, with a lack of local ownership. This project will conduct a systematic analysis of institutional constraints and ownership issues, including analysis of specific programme and project successes and failures when local ownership has been encouraged/permitted.

## 3. Institutional, Poverty and Distributive Issues

### 3.1 The Social Impact of Privatisation and Regulation of Utilities and Social Services in Latin America

Project Co-Directors  
Dr Cecilia Ugaz and  
Professor Catherine Waddams

Latin America has now privatised a large number of utilities (water, electricity, transport, and telecommunications) and now makes more use of market approaches to delivery in the social sectors (education and health). Privatisation has major consequences for efficiency (and therefore long-term growth), consumer welfare and income distribution. But insufficient attention has been paid to regulating privatised enterprises in the public interest. The project will assess how privatisation and regulation processes can be improved, particularly in the light of experience elsewhere (the UK for instance).

## 3.2 Insurance against Poverty

Project Director  
Professor Stefan Dercon

Households in developing countries face many risks. Informal insurance mechanisms (marriage, the extended family, and investment in social capital) provide some protection but are weak in the face of major calamities that affect households *en masse* (for example drought or economic recession). Most people cannot obtain formal insurance. The incomplete insurance market therefore constrains investment, growth, and poverty reduction. Public action to remedy this deficiency is merited, but what form should it take? The project will evaluate alternatives in widening insurance provision, including sustainability and poverty effects.

## 3.4 New Fiscal Policies for Growth and Poverty Reduction

Project Director  
Dr Tony Addison

Many developing countries are characterised by weak budgetary and revenue institutions, insufficient public spending on priority investments and the macro-economic instability associated with repeated fiscal crises. Moreover, the recent external review of IMF ESAF lending concluded that IMF fiscal policy conditionality might in some cases work against aid effectiveness. This project will re-examine the design of fiscal policy (including public expenditure management and taxation) with the aim of improving its role in supporting growth and poverty reduction.

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## **4. International Financial and Growth Issues**

### **4.1 Capital Flows to Developing Countries since the Asian Crisis: How to Manage their Volatility?**

Project Co-Directors  
Professor Stephany Griffith-Jones  
and Dr Ricardo Ffrench-Davis

The purpose of this project is to fill knowledge gaps in two related areas:

(1) what determines decisions by lenders/investors to enter or withdraw from individual developing countries? How have these decisions been affected by recent crises?

(2) what are the implications for the macroeconomic and financial regulation policies of developing countries of volatile and reversible capital flows? What policies are best pursued to maximise growth, investment and employment in the long-term, whilst minimising risk of developmentally costly currency and financial crises?

### **4.2 Production, Employment and Income Distribution in the Global Digital Economy**

Project Director  
Professor Matti Pohjola

This project is the sequel to the WIDER study entitled 'Information technology, productivity and economic growth: International evidence and implications for economic development', edited by Matti Pohjola, which concentrated on the impacts of information technology on productivity and economic growth. In his contribution to this project, Danny Quah argued forcefully that the most profound impact of the IT revolution is that it makes modern economies increasingly weightless or dematerialised in the sense that an increasingly greater fraction of gross domestic product comes to reside in economic goods with little or no

physical manifestation. Such a weightless group of commodities includes all products and services that can be expressed in digital form – encoded as a stream of bits – such as computer software, telecommunications, biological algorithms, financial services, electronic databases and libraries, media entertainment and Internet delivery of goods and services. The thesis of dematerialisation is that economic value will increasingly be created by producing and distributing bits of logic rather than atoms of physical material.

The attention in the new project will therefore be confined to the economic effects of the 'digital', 'Internet', 'weightless' or 'new' economy. The aim is to derive the implications of the digital technology for productivity and growth, location of production, firm and industrial structure, employment and income distribution, and economic development at the global level. Economic policies for promoting the new economy will also be analyzed.

### **4.3 Property Rights Regimes, Microeconomic Incentives, and Development**

Project Director  
Dr Laixiang Sun

A property rights regime covers rights to use, lease, donate, bequest, and sell assets or collect the incomes generated by assets. A clear and transparent property rights regime facilitates investment and economic growth. While private property is considered by many to be the most superior type of regime, this is not always the case, especially when important markets (such as credit and insurance) are imperfect or missing and when key institutions (regulation, accountancy standards etc.) are underdeveloped. This project will evaluate alternative property rights regimes at different development stages.

## **5. National and Global Governance**

### **5.1 Globalisation and the Obstacles to the Successful Integration of Small Vulnerable Economies**

Project Director  
Dr Mansoob Murshed

A key challenge for policy makers is how to bring about the successful integration of the less developed countries into the international system. Many of the obstacles to the meaningful participation of vulnerable developing economies in the international system are domestic in origin, but external factors beyond the control of these countries play an important part as well. The project identifies and analyses these factors and develops policies that could ameliorate the domestic obstacles and help overcome the external constraints.

### **5.2 Why Some Countries Avoid Conflict while Others Fail**

Project Co-Directors  
Dr Tony Addison and  
Dr Mansoob Murshed

For each country in conflict there are many others with similar characteristics that are at peace. Understanding why some countries avoid conflict while others fail is critical. Key causes of conflict are inequality (along ethnic, religious, social, and regional dimensions). Therefore, policies that exclude some groups from the fruits of growth and public spending (both social and economic provisions as well as public employment) may cause conflict. The project will focus in particular on the impact of different patterns of public expenditure (by region, sector, groups of beneficiaries, etc.), the distribution of government jobs and the overall benefits of government operations in social stability and integration.



The United Nations  
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Photo by Kari Rissa

## WIDER Development Conference on Growth and Poverty

**Helsinki, Finland**  
**25-26 May 2001**

**W**hile economic growth is a prerequisite for a sustained reduction in poverty, policies aimed at raising growth rates are often associated with a range of adverse short-term effects, including rising unemployment, greater economic insecurity, environmental degradation, and the weakening of traditional social safety nets. Pro-poor growth strategies attempt to address these short-term problems. But the ideal mix of policies, and their impact on the prospects for poverty reduction in the longer run, remain controversial topics.

Building on some of the themes covered in the World Development Report 2000-2001, the conference will review what is currently known about the relationship between poverty and growth. It will also provide an opportunity to share views on the direction of future research, including the issues that require attention, the methods of analysis which need to be developed, and new data sets that would facilitate research in this area. Selected conference papers, together with a policy summary, will be included in a conference volume to be published by WIDER.

For applications and further communications E-mail: [wider@wider.unu.edu](mailto:wider@wider.unu.edu)  
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# WIDER Conference *on Debt Relief*



Photo by Kari Rissa

## Helsinki, Finland 17-18 August 2001

**M**any low-income countries have very high levels of external debt, much of it owed to official creditors. The Heavily Indebted Poor Countries (HIPC) initiative aims to reduce debt levels to 'sustainable' levels, thereby reducing the burden of debt repayment on export earnings and on the government budget. This will in turn release resources for development, especially for poverty reduction.

In December 2000, the IMF and the World Bank announced that 22 eligible countries (18 of them in Africa) had qualified for debt relief under the HIPC initiative, the debt relief being worth some US\$ 34 billion. But the HIPC initiative—and debt relief more generally—remains highly controversial. Many have argued that the HIPC initiative does not go far enough, and that the debt should be completely written off so as to provide a fresh start for the world's poorest economies. Others have

argued that a complete write-off will not necessarily benefit the poor of the indebted countries. And there is much debate regarding the interim poverty reduction strategy papers (PRSPs) that are a key part of the HIPC process, as well as the question of how to improve fiscal systems so that the resources released by debt relief reach the poor.

Building on the recent debate the WIDER conference will review what is presently known about the relationship between debt, development, and poverty reduction, and will assess the state of progress on debt relief, and its implications for the relationship between aid donors and recipient countries. Papers on any aspect of the debt relief issue will be considered, including cross-country studies and country studies. Selected conference papers, together with a policy summary, will be included in a conference volume to be published by WIDER.

For applications and further communications E-mail: [debtconference@wider.unu.edu](mailto:debtconference@wider.unu.edu)  
Fax: (358 9) 6159 9333. WIDER, Katajanokanlaituri 6 B, 00160 Helsinki, Finland

**[www.wider.unu.edu](http://www.wider.unu.edu)**

# News and Events

## Conferences 2001

25-26 May, Helsinki,  
'Development Conference on  
Growth and Poverty'

17-18 August, Helsinki,  
'Conference on Debt Relief'

See announcement posters on  
pages 11 & 12, and on the website  
at [www.wider.unu.edu](http://www.wider.unu.edu)

## Project Meetings 2001

12-13 January, Helsinki, 'The New  
Economy in a Global Perspective'  
*Project Director Matti Pohjola*

8-9 March, ECLAC, Santiago, Chile,  
'Capital Flows to Developing  
Countries since the Asian Crisis:  
How to Manage their Volatility'  
*Project Co-Directors Stephany  
Griffith-Jones and Ricardo  
Ffrench-Davis*

19-21 April, Helsinki, 'Property Rights  
Regimes, Mircoeconomic Incentives  
and Development' *Project Director  
Laixiang Sun*

4-5 May, Helsinki, 'Institutional  
Capabilities, Reform Ownership and  
Development in SSA' *Project  
Director Steve Kayizzi-Mugerwa*

15-16 June, Helsinki, 'Insurance  
against Poverty' *Project Director  
Stephan Dercon*

October (tentative), Helsinki,  
'Privatization, Unemployment and  
Welfare in China' *Project Director  
Ashwani Saith*

## Lecture Series

WIDER research staff teach a range  
of courses at the University of  
Helsinki and the Helsinki School  
of Economics and Business  
Administration as well as at  
institutions outside Finland. These  
courses are offered to full-time  
registered students in the respective  
universities.

## Meeting of WIDER Board members June 2000

Photo by Kimmo Räisänen



Back row from left: Professor Matti Pohjola, Dr Harris Mutio,  
Professor Tony Shorrocks, Mr Philip Matthai (Chief, Administrative &  
Programme Services). Front row: Professor Ruben N. Yevstigneyev,  
Dr Ramesh Thakur, Dr Sylvia Ostry, Dr Jukka Pekkarinen and  
Professor Masaru Yoshitomi.

## Forthcoming courses

**The Economics of Development  
(Advanced Topics)** at the  
University of Helsinki, 6 March–  
11 April, 2001. *Lecturers Tony  
Addison and Cecilia Ugaz.*

## Staff Movements

**Mr Sampsa Kiiski**, Junior  
Researcher, separated in September.

**Dr Jörgen Levin**, Göteborg  
University, joined the Short-term  
Sabbatical Programme in October for  
a period of two months. His research  
work related to the project on  
'New Fiscal Policies for Growth and  
Poverty Reduction'.

**Mr Bruck Tadesse**, Computer  
Information Systems Assistant,  
joined the Institute in October.

**Mr Ville Päivinen**, part-time  
Computer Information Systems  
Assistant, completed his assignment  
in December.

## 2001 Board Meeting

The seventeenth session of the  
Board of WIDER will be held during  
18-19 June 2001 in Helsinki.

The board members are:  
Dr Nora Lustig, Chief, Poverty  
and Inequality Advisory Unit,  
*Inter-American Development  
Bank, Washington DC*, Dr Harris  
Mutio Mule, *TIMS Ltd, Kenya*,  
Dr Sylvia Ostry, Distinguished  
Research Fellow, *Centre for  
International Studies, University of  
Toronto*, Dr Jukka Pekkarinen (Vice  
Chairperson), Director, *Labour  
Institute for Economic Research,  
Finland*, Dr Ruben Nickolayevich  
Yevstigneyev, Deputy Director,  
*Russian Academy of Sciences,  
Moscow*, Dr Masaru Yoshitomi,  
Dean, *Asian Development Bank  
Institute, Japan.*

*Ex Officio* Professor Hans van Ginkel,  
Rector, *UNU*, Professor Tony  
Shorrocks, Director, *WIDER.*

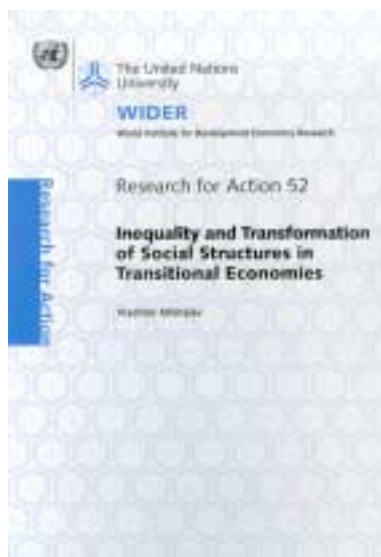
# WIDER Publications

## *New Titles*

### Research for Action

**RFA 52 Inequality and Transformation of Social Structures in Transitional Economies**

Vladimir Mikhalev, December 2000



### Working Papers

**WP188 Nationalism and Economic Policy in the Era of Globalization**  
Amit Bhaduri, July 2000

**WP189 The United Nations System: Prospects for Institutional Renewal**  
Richard Falk, July 2000

**WP190 Capital Flows to Developing Countries and the Reform of the International Financial System**  
Yilmaz Akyüz and Andrew Cornford, July 2000

**WP 191 Politics, Society and Financial Sector in Bangladesh**  
Anis Chowdhury, July 2000

**WP192 New Paradigms on Ownership of the Firm: A Comparative Analysis across Development Stages and Institutional and Technological Contexts**  
Laixiang Sun, August 2000

**WP 193 Entrepreneurship and Proprietorship in Transition: Policy Implications for the Small- and Medium-Size Enterprise Sector**  
Richard Scase, August 2000

**WP 194 Cross-Border Movements of People**  
Deepak Nayyar, August 2000

**WP 195 From GATT to WTO and Beyond**  
S. P. Shukla, August 2000

**WP 196 Protectionist Tendencies in the North and Vulnerable Economies in the South**  
Matthew J. Slaughter, September 2000

**WP 197 Special and Differential Treatment for Developing Countries: Does It Help Those Who Help Themselves?**  
Kiichiro Fukasaku, September 2000

**WP 198 The Problem of Anti-Dumping Protection and Developing Country Exports**  
P. K. M. Tharakan, September 2000

**WP 199 Prudential Regulation of Banks in Less Developed Economies**  
S. Mansoob Murshed and Djono Subagjo, September 2000

**WP 200 Rural-Urban Dimensions of Inequality Change**  
Robert Eastwood and Michael Lipton, September 2000

**WP 201 Land Ownership Inequality and the Income Distribution Consequences of Economic Growth**  
Michael R. Carter, October 2000

**WP 202 Increased Income Inequality in OECD Countries and the Redistributive Impact of the Government Budget**  
Anthony B. Atkinson, October 2000

**WP 203 The Changing Nature of Inequality in South Africa**  
Carolyn Jenkins and Lynne Thomas, October 2000

**WP 204 Reducing Poverty and Inequality in India: Has Liberalization Helped?**  
Raghubendra Jha, November 2000

**WP205 Factor Shares and Resource Booms: Accounting for the Evolution of Venezuelan Inequality**  
Francisco Rodríguez C., November 2000

**WP206 The Impact of Financial Liberalization and the Rise of Financial Rents on Income Inequality: The Case of Turkey**  
A. Erinc Yeldan, November 2000

**WP207 Growth, Structural Change and Inequality: The Experience of Thailand**  
Isra Sarntisart, November 2000

**WP208 Does Educational Achievement Help to Explain Income Inequality?**  
Daniele Checchi, November 2000

**WP209 Labour Markets and Income Inequality: What Are the New Insights after the Washington Consensus?**  
Rolph van der Hoeven, December 2000

**WP210 Globalization, Technology, and Income Inequality: A Critical Analysis**  
Ajit Singh and Rahul Dhumale, December 2000

**WP211 Human Rights and the Prevention of Humanitarian Emergencies**  
Andrew Clapham, December 2000

**WP212 Labour Standards in Exports and Developing Countries**  
Waseem Noor, December 2000

WP213 **Diverse Property Forms within Planned or Partly Planned Economies: NEP, NEM and TVE**  
Robert J. McIntyre, December 2000

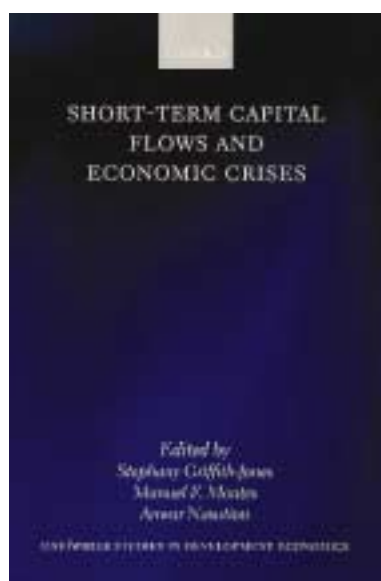
WP214 **Income Distribution and Tax, and Government Social Spending Policies in Developing Countries**  
Ke-young Chu, Hamid Davoodi and Sanjeev Gupta, December 2000

WP215 **External Liberalization, Economic Performance, and Distribution in Latin America and Elsewhere**  
Lance Taylor, December 2000

WP 216 **Small- and Medium-Sized Enterprise Development in Poland after 1990**  
Aleksander Surdej, December 2000

## Books

### Short-Term Capital Flows and Economic Crises



Edited by Stephany Griffith-Jones, Manuel F. Montes, and Anwar Nasution  
512 pages, 43 line drawings, 62 tables, 234mm x 156mm.  
WIDER Studies in Development Economics  
Hardback 0-19-829686-X  
UK Price £ 55.00, December 2000  
Available from the publisher  
Oxford University Press

## Forthcoming Books

### Access to Land, Rural Poverty, and Public Action

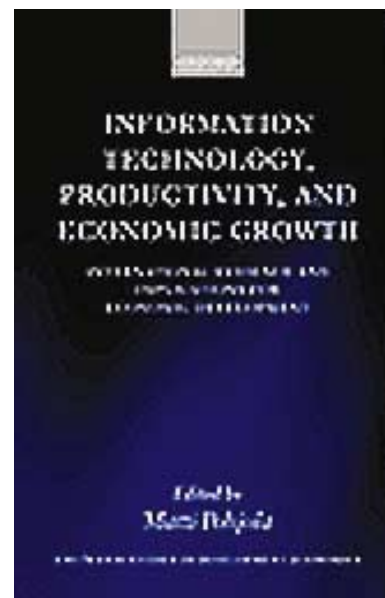


Edited by Alain de Janvry, Gustavo Gordillo de Anda, Elisabeth Sadoulet, and Jean-Philippe Platteau  
630 pages, 19 figures, 234mm x 156mm  
WIDER Studies in Development Economics  
Oxford University Press  
Hardback 0-19-924217-8  
UK Price £ 55.00  
Publication date: March 2001

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

Edited by Germano Mwabu, Cecilia Ugaz, and Gordon White  
380 pages, 9 figures, 234mm x 156mm  
WIDER Studies in Development Economics  
Oxford University Press  
Hardback 0-19-924219-4  
UK Price £ 45.00  
Publication date: May 2001

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



Edited by Matti Pohjola  
350 pages, 28 figures, 234mm x 156mm  
WIDER Studies in Development Economics  
Oxford University Press  
Hardback 0-19-924398-0  
UK Price £ 45.00  
Publication date: April 2001

### Transition and Institutions: The Experience of Gradual and Late Reformers

Edited by Giovanni Andrea Cornia and Vladimir Popov  
350 pages, 12 figures, 234mm x 156mm  
WIDER Studies in Development Economics  
Oxford University Press  
Hardback 0-19-924218-6  
UK Price £ 45.00  
Publication date: August 2001

World Institute for Development Economics Research

## WIDER DISCUSSION PAPER

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#### WIDER Discussion Papers

WIDER is launching a new publication series – WIDER Discussion Papers. All the Discussion Papers will be published in PDF on the Institute's website. Existing publications such as World Development Studies, Research for Action, Research in Progress, WIDER Annual Lecture and the Working Papers will now be published as WIDER Discussion Papers.

This will simplify the search of these publications on the web through different search queries such as title, author, subject, region, project, etc.

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Hard copies will be mailed to libraries in developing countries and regions that do not yet have generally accessible Internet connections. Hard copies will also be produced and mailed on request.

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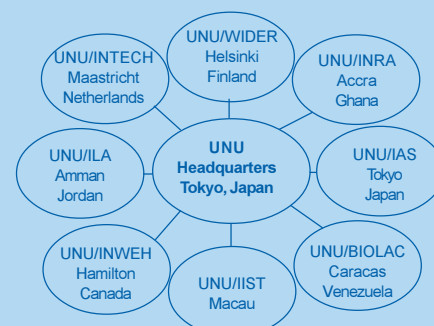
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