UNRISD United Nations Research Institute for Social Development

CONFERENCE NEWS

Poverty Reduction and Policy Regimes

Report of the UNRISD Methodology Workshop
21–23 February 2007, Geneva

Contents

Introduction

Poverty reduction is currently prominent on the agenda of international development. Most countries have wide-ranging anti-poverty programmes, irrespective of whether they have signed up to the least developed country (LDC)–focused Poverty Reduction Strategy Papers (PRSPs) of the international financial institutions (IFIs).

However, there are concerns that many countries will be unable to make meaningful dents in their poverty, let alone meet the targets set in the Millennium Development Goals. At the centre of these concerns is the question of whether countries are following the appropriate development paths. Critics of IFI policies affirm that the deflationary effects of the economic adjustment model that gained prominence in the 1980s continue to impose constraints on the types of anti-poverty strategies that countries can adopt. They also contend that lessons have not been drawn from the experiences of countries referred to as "late industrializers" or "late developers", which have been successful in reducing poverty in very short periods. When a substantial proportion of a country's population lives in poverty, it makes little sense to treat the poor as a residual category. For successful late developers, long-term processes of structural transformation, not poverty reduction per se, were central to public policy objectives that led to dramatic cuts in the number of people living in poverty.

The United Nations Research Institute for Social Development (UNRISD) initiated a project in 2006 to study the causes, dimensions and dynamics of poverty. It adopts a policy regime approach to examine the complex ways in which poverty outcomes are shaped by the configuration of institutions and policies in a triad of economic development, social policy and politics. It aims to shed light on the institutions, policies and politics that have made some countries more successful than others in reducing poverty. This project builds on earlier UNRISD research on Social Policy in a Development Context, the findings of which challenged the residual role given to social policy in public policies concerned with stabilizing the economies of developing countries and pushing them onto a growth path.

UNRISD organized a workshop in Geneva on 21–23 February 2007 to discuss research themes, case study experiences, methodology and data for this project. A few scholars with outstanding contributions in the fields of poverty, inequality, social policy and development, as well as coordinators for the cases that have been selected for the study, were invited to lead the discussions. Staff from the International Labour

Organization (ILO), the United Nations Conference on Trade and Development (UNCTAD) and the World Health Organization (WHO) working on poverty and regime types also participated in the workshop.

The workshop was divided into two parts. The first part was thematic, with three sessions covering issues of institutional complementarities, growth strategies and poverty; welfare regimes and poverty; and inequality and poverty. The second part comprised five sessions outlining the case studies in which in-depth research will be carried out.

UNRISD Director Thandika Mkandawire opened the meeting by highlighting key lessons from the project on Social Policy in a Development Context that have a bearing on the new research on poverty. That project underscored the transformative role of social policy. In particular, he stressed that for social policy to serve as a developmental instrument against poverty, it must deal with four major concerns: distribution, protection, production and reproduction. Different welfare regimes have placed different weights on each of these, but considerable complementarities and synergies generally exist.

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The previous research also showed that social policy is not something to be engaged in only after reaching a certain development threshold, nor is it an exclusive domain of advanced welfare states; rather, it is a key instrument for development, including social development. Not surprisingly, late industrializers have tended to adopt certain welfare measures at much earlier phases in their development than the "pioneers". The implication is that quite a number of welfare measures can be—and indeed, may have to be—introduced at fairly low levels of income in response to both normative and functionalist imperatives to use social policies for distributive, protective and productive ends.

Project overview

In the opening session, the UNRISD Research Coordinator, Yusuf Bangura, provided an overview of the poverty project. He discussed the significance of a policy regime approach in the study of poverty. A policy regime refers to the ways institutions and policies are interconnected in different sectors of a country's political economy. This may produce institutional complementarities. A policy regime has distinctive historical roots (or "path dependence") and normative values, and provides a context for understanding the strategic behaviour of actors, including policy makers, interest groups and citizens more broadly. It challenges policy convergence theories, which propose one set of economic policies that will lead to economic development, by pointing to a diversity of development and welfare paths, which may have different effects on poverty.

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Policy regime approaches with a comparative focus have largely been concerned with advanced industrial societies. The two key sets of literature deal with the welfare state and varieties of capitalism. The former literature often works with three regime types: social democratic, conservative-corporatist and liberal; while the latter works with two regime types: coordinated market economies (CMEs) and liberal market economies (LMEs).

The different regimes produce different labour market and welfare outcomes. Welfare variations are a product of competing values on social rights, institutional divisions between markets and states, labour market policies and differences in power structures. Despite the usefulness of these typologies, they suffer from three main problems when a global view of development and welfare is adopted.

First, they assume the development or growth path as given. Indeed, Gøsta Esping-Andersen's index of decommodification, which measures the extent to which individuals are less dependent on markets for their well-being, assumes market economies that have solved the problems of underdevelopment. It is concerned largely with the redistribution of the national product. In the LDCs, as many critics have pointed out,

commodification or development is crucial because large sections of the population still operate outside the formal economy.

Second, the typologies assume properly functioning democracies and focus on the ways unions, employers and political parties, with ideologies that can be placed on a Left-Right axis, interact strategically to influence public policies. In many developing countries, however, because the majority of the labour force is in agriculture and the informal sector, and levels of unionization are low, the strategic links between organized groups, political parties and governments tend to be weak. It is difficult to place political parties on a Left-Right axis, because there are important non-class variables that determine interest articulation and voting behaviour, as well as party and governmental practices.

Third, the analysis takes governance or state capacities as given. In all indicators on governance, welfare and poverty, high-income countries outperform low- and medium-income countries, suggesting that income or development itself may have accounted for these differences rather than the other way around. It is not surprising that types of governance, not governance capacities, inform the work of theorists of policy regimes in advanced societies. It is assumed that policies and institutions can be made to deliver outcomes that reflect the characteristics of each regime. This cannot be assumed in the case of LDCs with wide-ranging governance failures. Capacities to direct policies and pursue development vary considerably across countries.

Uneven levels of development make it difficult to develop typologies that have universal applicability. There are conceptual and data problems in constructing such typologies. The best efforts have been those that seek to create region-based typologies, such as for Latin America and East Asia.

After his overview of policy regimes, Bangura outlined the key issues in the poverty project, which has two components. The first component involves research work of a comparative nature on policy regimes and poverty reduction; and the second involves preparatory work for an UNRISD flagship report on poverty (see box 1 for the planned structure of the report). The project seeks to understand the dimensions and dynamics of poverty by focusing on three broad

Box 1
Planned structure of the UNRISD poverty report

Introduction

Section One: Economic Development and Poverty
1. Development strategies and poverty reduction in different policy regimes
2. Macroeconomic policies

Section Two: Inequality and Poverty
3. Wealth and income inequality
4. Gender inequality
5. Ethnic and spatial inequalities

Section Three: Social Policy and Poverty
6. The multiple goals of social policy
7. Institutions of social provisioning (states, markets, NGOs, community, family)
8. Social protection
9. Universal basic services
10. Care and poverty
11. Financing social policy

Section Four: The Politics of Poverty Eradication
12. Organized business and social policy
13. Social movements and poverty reduction
14. Democratization and the politics of poverty reduction strategies
15. Developmental state capacity and institutional reform

Conclusion

issues: economic development strategies; social policy interventions; and the politics and governance institutions that underpin or drive them.

Development strategies are key in explaining the growth paths of countries and structural transformation. Research is focusing on strategies aimed at industrial transformation and how these impact other sectors of the economy, such as agriculture, services and the informal sector. Most countries have pursued a combination of import-substitution industrialization and/or export-led growth. Import-substitution strategies can be differentiated according to the emphasis placed on skilled and unskilled labour utilization and capital intensity; and the way import-substitution is combined with other strategies such as land reform, export promotion and income redistribution. Both strategies provide different sets of incentives to producers, including in the area of state-business relations, and facilitate or constrain efforts in building developmental state capacity. The research will throw light on the processes and levels of structural change, the sectors of the economy that drive the growth process, and the extent to which the growth strategies affect labour markets across sectors. It should provide insights into how the dynamics of the economy and the growth path affect employment, income distribution and poverty before social transfers are effected.

The second aspect of the research project focuses on social policy and poverty. Even when employment levels are high, social policies are often decisive in lifting people out of poverty. Here the project is examining the role of social policy in aiding development and in providing protection to the broad mass of the population. For most countries of the Organisation for Economic Co-operation and Development (OECD), it has been shown that poverty levels are drastically reduced after social transfers have been effected, with the most significant reductions in social democratic countries that have comprehensive social policies. The developmental role of social policy is captured in data showing that successful late developers have high social investments or spend a lot on education, training or skills development; and that social insurance funds are often used to speed up industrialization, especially in the building of infrastructure. The state's active role in human capital development also helps to stabilize employment as firms may be reluctant to shed skilled labour, and in some cases such social investments may even help firms and labour to accept flexible employment policies if they are necessary for development. In some successful cases, poverty reduction is largely a function of employment expansion, given the strong link between social protection or insurance, and employment. Post-transfer redistributions in such cases may not necessarily favour the poor and the unemployed, especially in countries with low rates of formal wage employment.

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The political institutions of regimes may also matter, even though poverty has been reduced in both authoritarian and democratic settings. Three broad patterns of politics in successful poverty reduction can be highlighted. The first refers to the political arrangements that underpinned successful poverty reduction in authoritarian developmental states. Rapid growth and structural transformation produced a large industrial labour force, which accepted wage moderation, firm loyalty and state domination in exchange for state regulated corporate welfare, life-long employment and skills development.

The second is the communist model in which leaders' legitimacy depended on their ability to deliver pro-poor social policies, often providing welfare support through state enterprises and achieving the goal of poverty reduction through central plans that guaranteed full employment. Under this model, the choices of the poor and the working class were linked to those made by party leaders and technocrats.

In these two models, power was less fragmented and competitive politics were discouraged. In other words, these were highly centralized, cohesive and technocratic states.

The third model refers to the politics of successful poverty reduction in advanced democracies. Here the evidence suggests that regimes in which Left parties have been in government for extended periods, and where labour, business and the state cooperate in managing economic conflicts, produce superior outcomes in welfare provision and poverty reduction compared to liberal regimes. Under the social democratic model each actor has instruments it can use to extract compliance from the others—for labour, it is through the strike

option. However, the labour force characteristics of middle- and low-income democracies are substantially different from those of advanced democracies. A relatively higher proportion of workers in poor countries are in agriculture and the informal sector; and union density and coverage rates are low. Such outcomes underscore the need to examine the roles of non-labour interest groups—peasant farmers, informal sector workers, and the chronically poor—in shaping national development strategies and welfare policies.

Competitive elections can be used by the poor and, over time, may produce governments with a pro-welfare orientation, especially in democracies where the median voter is a poor person. This seems to be happening in many Latin American countries where Left-oriented parties have assumed power. But it is doubtful whether electoral competitiveness alone may result in far-reaching changes in public policy that will massively reduce poverty.

It is instructive to note here that the PRSPs privilege non-governmental organizations (NGOs), not production-based groups, in the politics of poverty reduction; the process itself tends to be detached from mainstream politics; decisions are not binding on participants; civic groups lack instruments to compel governments and business to deliver on agreements; and the views of the IFIs are decisive in charting development paths.

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By bringing the dynamics of development strategies, social policies and politics into the analysis, the aim of the UNRISD research project is to understand the various dimensions of poverty, disaggregated according to income groups, gender, ethnicity, spatial location and life cycles. The research is tracing trends in poverty over long periods, paying close attention to differences in poverty outcomes when countries change or reform their policy regimes and highlighting groups that consistently have remained in poverty. Another vital factor receiving attention is the link between poverty and inequality: tracing the structure and evolution of inequality (wealth and personal income inequality) under different policy regimes and periods, and the effects of inequality on poverty.

Part I: Thematic Papers

Session 1—Institutional complementarities, growth strategies and poverty reduction

A key issue in the study of policy regimes is what has come to be called institutional complementarities. Effectiveness of one institution or policy in a particular sector may lead to, or require, complimentary institutions and policies in other sectors. For instance, in studies of advanced industrial societies, it is often believed that stock market capitalism, with its focus on short-term profitability, requires flexible labour markets; and bank-financed corporate capitalism, with interlocking shares and directorates, or "patient capital" (longer-term investment), works well with corporatist labour market institutions. However, recent developments in some countries suggest that the range of possible complementarities may be larger than theory predicts. Exposure of German firms to stock market financing has not led to the dissolution of co-determination and organized collective bargaining.

In the first substantive session of the workshop, Robert Boyer presented his work on institutional complementarity, which addresses the issues of why and how capitalism differs between countries, and how to reform institutions to promote growth and social justice. Boyer identified some reasons for the failure of mono-causal explanations of underdevelopment and poverty in their sole focus on market mechanisms; the failure to understand that welfare policies can be complementary to growth; the difficulty of adopting best practices observed in other countries; and the idea that there is one ideal institutional configuration.

The Institutional Complementarity Hypothesis (ICH) has been used to conduct international comparisons, which show that the state is just one coordinating mechanism alongside markets, hierarchy, community, networks and alliances. In addition, it has been shown that some welfare policies, such as income security, and work and life security, can have a positive productive impact as well as reducing poverty. However,

the adoption of institutions that have been effective elsewhere is particularly problematic as they do not operate in isolation but interact with existing domestic institutions. These institutions may be incompatible, leading to deterioration in performance and exacerbation of poverty. Boyer's work has shown that there are many successful institutional configurations, which are built on the complementarities between diverse institutions. This suggests that efforts to impose a single model of development and poverty reduction strategies on poor countries are at odds with the historical record of diverse institutional and policy paths.

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Many institutional arrangements complement rather than substitute for one another. As such, one institutional arrangement may be able to correct the imperfections of another. In addition, some institutional arrangements focus on economic efficiency while others focus on social justice. This raises the possibility that growth and poverty reduction can be made compatible, if not complementary.

The ICH has only been used in developed countries so far. However, Boyer outlined two possible methods for detecting successful institutional configurations in developing countries. The first is to assemble data about successful cases of poverty reduction and to use Qualitative Comparative Analysis (QCA) to detect inductively the mix of institutions and policy regimes that led to poverty reduction. It is then important to build panel data in order to estimate the quantitative impact of each mix of variables. A second method appropriate for use in a single case study and period is to extend the growth diagnostics model proposed by Haussman, Rodrik and Velasco (2005)[1] to poverty reduction, and use this to select the policies that simultaneously improve growth and reduce poverty.

[1] Haussman, R., D. Rodrik and A. Velasco. 2005. *Growth Diagnostics*. Available at: http://ksghome.harvard.edu/~drodrik/barcelonafinalmarch2005.pdf

Discussion

Several questions focused on the transitions between institutional arrangements and the potential for replication or learning from other experiences. Rather than being seen as fixed, institutional arrangements are better represented as trajectories. Indeed, serious economic and political crises have the potential to cause abrupt changes in these trajectories.

In was noted that it is difficult to replicate institutions from other national contexts. In particular, the distinction was made between importing an institution and actually making it work in practice. An example suggested was that of democracy in many developing countries, where it is formally present yet does not always work for the people. Boyer underlined that while it is not possible to replicate another institutional configuration, this does not preclude learning from other configurations, and adaptation can create new models. Equally, in research it is impossible to extrapolate from one case to another. As such, Boyer warned against making judgements about cases that have not been carefully studied.

One participant queried the focus on the Irish case, which Boyer had highlighted as a success story. Boyer suggested that the Irish model has been successful in coping with many past problems, but that the rapid changes experienced mean that the institutions may not necessarily be able to cope with the emerging problems facing the country. It may even be that success has obscured the new problems. The Irish model has been based on attracting foreign direct investment (FDI) through low corporation tax, and several new entrants to the European Union (EU) are now emulating this policy. Doubts were raised about the sustainability of "buying" investment in this way.

One participant pointed out that the countries with the highest percentage of workers in the information technology (IT) sector are the United States (US) and the four Nordic countries. This appears to be contradictory as they could not be more different in terms of their policy regimes. Nonetheless, Boyer underlined that the US economy is driven by finance rather than high-tech industry. Indeed, high-tech industry is a relatively small part of the US growth engine.

Finally, the importance of the family in welfare regimes was noted. Research in Latin America has shown that many welfare regimes are family- rather than state-led, and that any analysis of poverty reduction needs to take families into account. In particular, the role of international migration and remittances is very important in family welfare.

Session 2—Welfare regimes and poverty reduction

In the second session, John Stephens outlined his work on the politics of poverty reduction and redistribution in developed countries. He has found that while all advanced welfare states redistribute income and reduce poverty, this varies greatly between different types of welfare state regime. In particular, he has found that most redistribution takes place in social democratic regimes, followed by Christian democratic regimes and least redistribution in liberal regimes.

In OECD countries, Stephens's research has shown that the size of the welfare state is the single most important factor in redistribution and poverty reduction. In particular, although Sweden has one of the most inegalitarian public pension systems, it has the most egalitarian gross income distribution because the generous public pension provisions crowd out even more inegalitarian sources of income such as private pensions. His analysis of recent OECD/Statistics Canada data on literacy skills shows the superior performance of social democratic welfare states in developing human capital. The Nordic countries and the Christian democratic welfare states have higher skill levels at the lower end of the income distribution than liberal welfare regimes, and skill levels at the top end of the income distribution are slightly higher for the former set of countries than for liberal welfare regimes. Stephens concluded that "social democratic welfare states sustain a virtuous circle where redistributive tax and transfer systems produce lower levels of poverty and inequality, which in turn help those at the bottom end achieve higher skill levels, which in turn contribute, along with centralized bargaining, to lower wage dispersion, which in turn reduces the burden on the tax and transfer system to sustain low rates of poverty and inequality".

However, Stephens reported that in contrast to the experience of OECD countries, social welfare spending does not consistently reduce inequality in Latin America and the Caribbean. Such spending reduces inequality only in democracies. Countries with a history of Left of centre parliamentary dominance seem to have produced less inequality. However, as welfare programmes are contribution financed, 80 per cent of social security spending accrues only to formal sector workers. The informal sector, which comprises between 40 and 60 per cent of the labour force, is not covered by these programmes. As such, contributory and employment-based pensions are not likely to be effective policies for reducing poverty in Latin America.

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In drawing lessons from the experiences of advanced industrial democracies that are relevant in reducing poverty and inequality in developing countries, Stephens reviewed the history of five social programmes in which benefits are not based on employment. These were the Nordic citizenship pensions, based on a flat-rate tax; the Nordic public health, education and welfare services, provided on the basis of citizenship and residence; citizenship-based family allowances aimed at combating child poverty in most industrial democracies; national health services in Southern Europe; and comprehensive unemployment benefits in Australia and New Zealand. The implementation of these policies was based on pacts comprising more than one social or political group, for instance, between the social democratic and agrarian parties, or social democrats, labour and the women's movement in the case of the Nordic schemes.

Discussion

The discussion sought clarification on the effects of liberalization on the Nordic welfare systems, as it is believed that these systems are apparently moving in a less egalitarian direction. However, Stephens affirmed

that although globalization has had a huge impact on the macroeconomy and wage bargaining in the Nordic countries, its impact on the welfare state has not been important. Indeed, the changes that are taking place in welfare are driven by demography, with declining fertility rates leading to major problems for pay-as-you-go pension systems. He argued that the welfare state does not make the export sector uncompetitive.

Stephens emphasized that in considering the redistributive effects of social policies, it is not just the amount spent on education or health that is important, but also the type of spending. For example, it is important to disaggregate education spending by primary, secondary and tertiary education, as tertiary education spending is likely to be less redistributive than the others. This distinction is also relevant with respect to health policy, with preventive care more redistributive than curative care spending.

The discussion highlighted a virtuous circle involving the commodification of female labour and the development of care services in the Nordic social democratic countries. In contrast, in liberal welfare regimes, while female participation has been increasing, often this is in low-paid, unsafe jobs, where there is no such virtuous circle. Although Christian democratic regimes have the lowest female labour force participation rates, in terms of provision of care, Christian democratic regimes are better than liberal ones. It is hard to see how to build the political coalitions necessary to make demands for more care services in liberal regimes. Indeed, in some cases, the inequality is such that it even affects what women's groups campaign for. Stephens gave the example of the United States where women's groups usually campaign for affirmative action and equal opportunities, which are actually likely to help upper and middle class women.

The discussion also highlighted the need for state social policy to take into account welfare provision by communities and families. The example of Botswana was illustrative, where the small state pension, to which all citizens are entitled, has actually left some elderly people worse off as their families, who have traditionally been responsible for their welfare, no longer provide them with support as they feel that the state should take over that role.

The place of migrants in welfare systems was also raised. Stephens responded that the distinction between legal and illegal immigrants is vital, with legal immigrants in Nordic countries receiving the same benefits, such as health and education, as citizens. The situation of illegal immigrants is less clear. However, in the case of the Nordic countries, illegal immigrants do not have a major presence. In the United States, where illegal migrants are more numerous, all children can go to school, and indeed in North Carolina, it is illegal for the authorities to inquire about the legal status of children or their parents.

Finally, in terms of data, it was noted that the calculation of the Gini coefficient is usually based purely on cash values and therefore does not take into account other types of resources, which may be extremely important, especially for poor people. However, the WIDER World Income and Inequalities Database (WIID) contains data on consumption, not all of which is cash, and expenditure data, and as such may address some of these problems.

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Session 3—Poverty and inequality

Recent studies suggest that there has been a sharp rise in the share of capital and a decline in wage shares in national incomes across countries. This has been linked to financial liberalization, regressive tax policies, privatization programmes in contexts of weak regulation, public expenditure policies that failed to protect the poor during adjustment periods, and labour market policies that emphasize wage flexibility, informalization, and erosion of minimum wages and union bargaining power. High levels of inequalities reduce the growth elasticity of poverty: in other words, if inequalities are high, a country will need higher levels of growth to reduce poverty. However, levels of inequalities differ across countries; and some successful developmental states achieved both high growth and low inequalities, even if recent trends suggest rising levels of inequalities as more market-oriented reforms are adopted. There are problems of data and methods in tracking

world poverty and inequality. Session three examined these issues, with presentations by Sanjay Reddy on poverty measures, and by Franklin Serrano on functional and personal income distribution.

Reddy presented the findings of his research that has highlighted the inadequacy of existing cross-country measures of poverty. Currently the World Bank's $1 and $2 per day poverty lines are the only widely available poverty indicators, but these measures have a number of significant weaknesses. First of all, there is growing recognition of the multi-dimensional nature of poverty and awareness that income is only one means to an end, and not a sufficient criterion for measuring poverty. In addition, there is considerable mystery surrounding the selection of both $1 and $2 per day as poverty lines. These amounts are not clearly linked to any conception of poverty and are more likely to have been selected for their rhetorical simplicity and the fact that they happened to correspond to the national poverty lines of a few developing countries.

Beyond conceptual issues, Reddy highlighted several problems with the calculation of poverty estimates based on these poverty lines. In particular, the purchasing power parity (PPP) conversion factors used to calculate national poverty lines from the international values are problematic. Purchasing power is very different for different commodities and therefore can only be compared for specific goods. In calculating poverty estimates, it is essential that the PPP conversions are based on goods relevant to poor people. However, the PPP factors used are in fact quite broad and include many services that are likely to be irrelevant to the very poorest. The World Bank is undertaking a project to calculate poverty-related PPPs aimed to address this, but other significant issues remain. Notably, the choice of a base year has a major impact on poverty estimates; as the base year is periodically changed to provide more "up-to-date" information, making temporal comparisons becomes extremely problematic.

The World Bank has used its data to claim that incidence of poverty has been falling and has attributed this success to liberalization policies. However, in previous work, Reddy and co-authors have shown that it is difficult to verify the accuracy of these claims. They have conducted sensitivity analysis, which shows that estimates vary considerably, ranging from poverty being cut by more than half between 1990 and 2001, to poverty actually increasing over the same period. While he does not claim that poverty has actually increased, Reddy recommended caution when interpreting poverty data that may reflect the conceptual and methodological weaknesses outlined. Indeed, nutritionally based poverty estimates have shown a considerably higher incidence of poverty than the $1 and, in some cases, the $2 per day lines.

In terms of the demands of this project, Reddy affirmed that a comparative project requires comparisons of international poverty data. He recommended that poverty estimates based on official poverty lines be used, but that their relevance be carefully considered. In addition, non-income measures should be used as much as possible, because they are in many ways more reliable and meaningful. He gave the example of infant mortality, which is at least conceptually sound, although there may be some problems of data collection.

Serrano highlighted the importance of considering functional income distribution, one of the essential elements that explains personal income distribution. Therefore, even if the main concern is with personal income distribution or poverty, these cannot be fully understood without an understanding of functional income distribution.

Neoclassical economics is based on the notion of factor substitution, and this assumption leads to a number of important results. One of these is that as the price of a factor falls, more of this factor will be used and the product of this factor will then be sold. For example, if a person gains more education it is assumed that this can be combined with other means of production, leading to an increase in a product, which is assumed to be sold, leading to higher income.

In the functional income distribution view, factors are seen to be mostly complementary. As such, this leads to the contrasting result that without increased employment opportunities, more education leads instead to more qualified people seeking the same jobs. Serrano gave the example of Brazilians with master's degrees driving taxis. The emphasis will be on personal income distribution, if it is assumed that improving the capacities and competencies of individuals is the key to better distribution; on the other hand, functional distribution will be important if it is assumed that the economy, sectors and the firm are the main determinants of the quantity and quality of jobs available.

Serrano felt that the fundamental difference between development economics and neoclassical economics is the rejection by development economics of the assumption that labour is scarce in developing countries. This was also used by Arthur Lewis to explain the relative prices of steel and coffee, and challenges the theory of comparative advantage.

However, the theory of development economics has been challenged in a number of ways, notably for the overly optimistic view of the extent that savings could be transferred into investment and the assumption that the influence of FDI and aid would always be positive. In addition, the politics of how to achieve a developmental state was not adequately addressed. There were also important practical problems, such as the urban and industry bias of state-led industrialization, and the relatively slow rates of poverty reduction and technological catch-up that took place.

However, Serrano suggested that some of these practical criticisms arise as a result of the emphasis on Soviet-style "industry first" development strategies, rather than being an integral feature of development economics as such. Despite the problems identified, many countries continued to experience strong economic growth until the early 1980s, and although many countries were heavily indebted at the time, this was only a major problem when US financial policy changed, unilaterally raising interest rates and cutting off the sources of credit.

Discussion

The discussion raised some concerns about functional income distribution. In particular, it was noted that conceptions of functional income distribution developed from industrialization in the North. This was based on the assumption of the prominence of capitalist and labour classes, and commodification, which is not necessarily the case in many developing countries. The example of South Africa showed that the profit share has risen while the wage share has fallen. This rising profit share is endogenous to what is happening in the labour market. As a result of the political changes, organized labour was able to secure higher real wages, which led employers to substitute unskilled labour with capital-intensive production. This led to a massive drop in employment, rising productivity and rising wages for those still in employment. As a result, however, those who are not commodified or are partially commodified lose out. As such, there are effectively three classes: the capitalists; the formal sector workers; and those outside the formal sector who are not commodified. While the formal workers are increasingly better off, those outside the formal sector are worse off.

An additional concern raised was that those in the formal sector depend not just on wages for income, but also on how the profit share is doing in the wider economy and the effect that this has on, for example, pensions. This questions the clean distinction between the share of income going to wages and that going to profit. However, Serrano underlined that functional distribution is not just about looking at two shares. Functional distribution considers the basic real wage rate as the remuneration of unskilled labour in the formal sector and the basic competitive normal rate of profit in the formal sector. A whole hierarchy of profit rates and wages are based on this according to different circumstances. It is also important to differentiate between wages as product share and the value of real wages in terms of consumption, which matters to workers and depends on sectoral relative prices.

The discussion underlined that there are always problems using data for cross-country comparisons. This includes income-based measures, the Human Development Index (HDI) and infant mortality. In terms of the latter, data are not collected in many countries and even when they are, the results are not always reliable. Participants also noted that they have had significant problems constructing time series data due to frequent changes in methodology and data collection.

In the discussion on poverty measures, Reddy restated his position that there are no meaningful and reliable estimates of income poverty in many countries, and there are no internationally comparable data. While there may be problems with many types of data, he felt that the money-metric measures produced by the World Bank suffer from more problems than most, and recommended the use of better conceptually defined measures such as infant mortality, for example.

Part II: Comparative Case Studies

The second part of the workshop focused on case studies selected for comparative research. Ten case

studies were discussed. Eight of these—Botswana, Brazil, Costa Rica, India, Kenya, Malaysia, South Africa and Taiwan Province of China—will involve work to be done by research teams looking at the dynamics of poverty and policy regimes in six broad areas: development strategies and poverty; wealth and income inequality; the social policy regime, welfare provision and social services; organized interests, development strategies and social policy; and developmental state capacity and institutional reform. The other two cases—Ireland and Finland—are part of a set of countries in which researchers will provide overviews of experiences in development, welfare policy and poverty reduction. Overview papers will also be prepared on China, Mauritius, Mozambique, Republic of Korea, Singapore, Sri Lanka and Viet Nam.

The case studies have been distinguished according to how successful they have been in achieving structural transformation. This refers to progress made in shifting the composition of employment in favour of manufacturing; the extent of formal employment and labour market integration; differences in labour productivity and income levels or wage dispersion across sectors; shifts in the composition of exports in favour of manufactures; and differences in the investment-export nexus, including capacities to meet the import needs of industries. The cases have been classified into three types: those that have attained high levels of structural transformation; those with medium levels of structural change; and those with low structural transformation. They have been further divided according to whether they were authoritarian or democratic when they embarked on a developmental growth path (see Box 2). This is a crude classification, as some countries in Latin America have historically experienced cycles of authoritarian and democratic rule. However, if research is sensitive to political and economic transitions, it may be possible to identify more than one policy regime in a country.

Session 4—Ireland and Finland

Ireland and Finland represent late industrializing democracies with high growth rates but different economic strategies and outcomes in welfare provision and poverty reduction. When Ireland gained independence from Britain in 1922, its economy was very similar to those of many developing countries: about half of its exports consisted of a single unprocessed commodity (live cattle); and there was virtually no industry, apart from a small food and drink industry. Similarly, although industrial transformation started in Finland in the late nineteenth century, as late as the Second World War, the economy was still dominated by smallholding agriculture and poverty was pervasive in the rural areas. Large-scale industrialization and urbanization only started in the 1950s and 1960s. By the 1980s and 1990s, these two countries had become high-income economies, with states and markets playing very different roles in the transformations.

Peadar Kirby presented an overview of the Irish development experience, demonstrating what he believes

Box 2
Classification of Research Cases

	Authoritarian		Democratic
High structural transformation	**Taiwan Province of China**	→	Finland
	Republic of Korea	→	Ireland
	Singapore	→	
Medium structural transformation	**Brazil**	→	**India**
	South Africa	→	**Costa Rica**
	Malaysia	→	Mauritius
	China		
Low structural transformation	**Kenya**	→	**Botswana**
	Mozambique	→	Sri Lanka
	Viet Nam	→	

Note: Those in bold are the eight cases in which in-depth research will be conducted; overview papers will be commissioned for the other cases.

has been an economic success but a social failure. Ireland has experienced intensive rather than extensive economic growth based primarily on attracting high levels of FDI, especially in information technology, chemicals and pharmaceuticals. However, over recent years, economic growth has been maintained through a boom in the construction sector, public employment and high rates of consumption, involving the accumulation of very high levels of private debt. Economic gains are vulnerable to inflation, a slowdown in exports and high dependence on FDI. Many new EU member states now emulating the Irish model are more competitive than the Irish.

Yet there are a number of social problems, with the health service in crisis and patients facing long waiting lists for public care. There is now effectively a two-tier health service, with growing numbers depending on private insurance and the government subsidizing private care even in public institutions. In addition, the public transport system is inadequate, the tax system is regressive and state welfare provisions have not increased in line with the cost of living.

The Irish model has been based on attracting large amounts of FDI, with tax incentives, in particular low corporation tax and low capital gains tax, seen as central to the success. The policy of social partnership has also been important. Representatives of the state, employers, farmers and labour unions negotiate three-yearly agreements on national development. Community and voluntary sector groups were later added as social partners. The agreements, which focus on wages and other key elements of economic and social policies, have been crucial in moderating wage increases and promoting industrial and social cohesion during periods of rapid change. Many workers have benefited from employment growth and income tax reductions.

Despite budget surpluses during the boom years, the Irish government has been very cautious about increasing social spending, with the result that Ireland has one of the lowest levels of spending on social protection as a percentage of GDP in the EU. As a result, there are high levels of relative poverty, in particular among the young, the elderly and, increasingly, the working poor.

Irish politics is unusual in that it is a largely non-ideological and personalistic system. The two main parties are split on constitutional rather than ideological grounds. As a result, the Progressive Democrats, a relatively small neoliberal party that has been part of the ruling coalition, managed to exert considerable influence over government policy. The state's role has been mainly technocratic and managerial, with social policy treated mainly as residual and focused on addressing unemployment.

Jaakko Kiander's presentation showed the impressive growth and social gains achieved by Finland over the past hundred years. Finland was a very poor country in the nineteenth century and experienced Europe's last major famine in the 1860s. However, economic liberalization in the 1860s along with investment in railways led to the first period of economic growth from 1870 to 1914.

At this time, Finland was an autonomous Grand Duchy of the Russian Empire and as such was in a special position, enjoying free trade with Russia as well as being relatively open to trade with the rest of the world. However, Finland lost this export market following the Russian revolution in 1917, when Finland gained independence, and there was practically no trade between Finland and the Soviet Union during the interwar period. This important trade relationship began again only after the Second World War, initially as war reparations.

During the inter-war years politics was dominated by economic liberalism, although this existed alongside the extension of basic education and state intervention in supporting industrial investment. From 1945 the role of the state expanded, with the government acting as the main decision maker, focusing on the promotion of capital-intensive industry and export-led growth. The state regulated markets and international capital flows, invested in education, in particular through new universities, and had a considerable presence in industry. Macroeconomic policy was focused on maintaining and improving competitiveness in international markets, and supporting investment. This model was not compatible with the free market, and led to inefficient use of capital. However, it did provide good results in terms of strong economic growth and full employment.

In the early 1990s, the end of bilateral trade with the Soviet Union and liberalization led to a financial crisis and a period of restructuring. EU membership was then accompanied by more orthodox economic policies, with

the government no longer active in industry and pursuing a programme of large-scale privatization. As tax revenue has decreased, there have been cuts in public expenditure and a resulting increase in inequality, although economic growth has continued to be strong.

The Finnish welfare state was built up over many years, beginning with land reform in 1918 following independence, and the provision of basic health care and compulsory primary education in the inter-war years. There were then considerable social reforms in the post-war years, including further land reform; child benefits from 1948; a system of occupational pensions from 1957; and a renewed basic pension system in 1957. The success of the Social Democrats in 1966 and their alliance with the agrarian party of smallholders led to a wave of reforms in the following decade, including the introduction of comprehensive schools, regional universities, municipal health centres and care for the elderly, disabled and children. This resulted in a rapid increase in public expenditures and public employment.

Between 1966 and 1980 poverty and inequality fell rapidly, with income distribution remaining unchanged during the 1980s. The period of crisis and liberalization from the early 1990s has resulted in increasing inequality.

Discussion

The discussion considered the debt crisis in the 1980s in Ireland, which was caused by the oil shocks and high social spending used to guarantee employment. As a result of the ensuing financial crisis and the fear of high debt it generated, the Irish government has since been wary of high spending. It was noted that this is similar to the experience of many Latin American countries.

As Kirby discussed in his presentation, Irish politics is unusual, with both main parties being multi-class. As a result, it has not been possible to develop a class alliance to win state power. The resulting multi-class coalitions are often incoherent, and Kirby noted that this has led to Irish social policy being short term, with three-year programmes developed to deal with particular crises.

An important point was that the boom period in Ireland came about with the government following many of the same policies that had been previously used. In addition, Kirby emphasized the importance of the EU social funds, which effectively constituted substantial flows of foreign aid. Following the economic success of the liberal policies, all main parties are now outbidding each other to promise greater tax cuts. However, increasing employment and wage competitiveness have ensured that most trade unions continue to support the social partnership approach to wage setting and policy making. Despite the clear differences between the United Kingdom and Ireland, it was suggested that Ireland might well end up in a similar position to the United Kingdom, albeit via a different route.

Despite the very different approaches followed in Finland and Ireland, one participant pointed out that both cases had followed a policy of low corporate tax. Another factor central to the success of the Finnish case has been that all participants, including the labour unions, have recognized the overriding importance of the competitiveness of Finnish exports. In this way, macroeconomics were considered more important than microeconomics, with the emphasis on competitiveness over profitability. As such, the Finnish welfare system was expanded on the basis of strong economic growth.

Another question raised the issue of foreign ownership of Finnish firms, and Kiander admitted that these companies tend to have shorter-term interests and are less inclined to invest in the country than Finnish firms.

Session 5—Taiwan Province of China and Malaysia

Taiwan Province of China and Malaysia are part of a set of East Asian late developers that have used the state as an active agent of development. They have achieved impressive growth rates and levels of structural transformation, with Taiwan Province of China, the Republic of Korea and Singapore attaining levels of industrialization and income per capita that are comparable to many OECD countries. Economic development has been the overriding objective of public policy; and especially in the more developed East Asian cases, industrial policies were highly selective, with priority industries, most of which were in the export sector, subjected to performance requirements. Social policies have been a function of economic development, with public savings channelled toward industrial investments and infrastructure. The state has assumed very limited

responsibility for direct welfare provision, leaving this to firms, communities and families, and largely playing the role of regulator. Unlike Finland and Ireland, the structural transformation of the East Asian economies occurred under authoritarian conditions.

Yeun-wen Ku presented the case of Taiwan Province of China, characterizing the development experience as one of high growth, relative equality and, latterly, a transition to democracy during the 1990s. He referred to the developmental strategy as "productivist welfare capitalism", which involves the prioritization of economic and industrial objectives with respect to all other state policies. Another key factor has been the great importance of education and the family in Taiwanese society. However, he noted that demographic changes, such as small family sizes and the increased participation of women in the workforce, are threatening the traditional role of the family in welfare.

Ku's past research comparing the 1980s and 1990s has tried to update the work of Esping-Andersen and to show that regime types can change over time. In particular, his analysis has identified a new East Asian regime type, which includes Taiwan Province of China along with the Republic of Korea. His results show that this distinct model persisted throughout the 1980s and 1990s. In addition, the analysis has revealed some interesting results for several other countries. In particular, Japan's welfare regime was shown to be close in many ways to that of Germany, with the result that it joined this cluster rather than that of Taiwan Province of China and the Republic of Korea, as might have been expected.

In addition, Ireland was notable for being distinct from the other countries covered in the analysis and forming its own cluster during the 1980s and 1990s. The United Kingdom was one notable example of a welfare regime that had changed significantly. During the 1980s, Ku's analysis showed, it formed a cluster with the Nordic countries, but following the period of Margaret Thatcher's leadership and the welfare reforms she undertook, in the 1990s the welfare regime had been transformed into a liberal system, forming a cluster with the likes of Switzerland and the United States.

In Taiwan Province of China, which experienced high rates of growth during the 1970s, 1980s and 1990s, growth rates have fallen since 2000, while inequality and unemployment have risen. This has led to labour demonstrations calling for more equal income distribution and increased employment.

Khoo Boo Teik presented the proposal for research in Malaysia and noted that in many ways, given the country's diversity, studies on Malaysia are like comparative studies in themselves. Malaysia has been relatively successful in reducing poverty according to its own goals. Poverty reduction regardless of race was adopted as government policy in response to the ethnic riots in 1969. Indeed, estimates indicate that household poverty has now fallen to approximately 5 per cent. In particular, there has been a major reduction in poverty in rural areas through investment in infrastructure, health care, education and subsidies.

The Malaysian government is pursuing a national, capitalist project with the aim that Malaysia would join the ranks of the developed countries by 2020. The state has seen its role as managing the balance of state, foreign capital and domestic capital. Research examining this role needs to take account of the fact that organized labour has had very little power since it was effectively smashed in the late 1960s. The Malaysian government has also undertaken projects of social engineering, linked to economic planning, as well as ethnic restructuring to address the ethnic inequalities in the country.

The Malaysian research will focus on the period from 1957, when Malaysia achieved independence, to the present. The initial state regime, which relied on laissez-faire policies, collapsed under the ethnic violence in 1969, and in 1970 the current coalition came to power. This regime has had a far more interventionist role and has become a major investor, taking over the commanding heights of the economy. Under the leadership of Mahathir Mohamad, the regime was reshaped and the interventionist state evolved into a developmental state following the paths of Japan and the Republic of Korea. It is still unclear what changes have occurred since the change of prime minister in 2003.

Looking at the Mahathir Mohamad regime, it often appeared that many policies were incompatible and Khoo raised the possibility that there could be multiple policy regimes co-existing. In addition, Khoo noted that while ethnicity is undoubtedly of great importance in Malaysia, the research team would need to look beyond ethnicity to consider other important explanatory factors as well.

Discussion

The discussion raised the issue of data availability. In Malaysia, data on inequalities and poverty are very delicate issues due to ethnic sensitivities and concerns about state legitimacy. In terms of this project, Khoo explained his intention to use a variety of data sources rather than relying only on official sources. In particular, he said, he would try to obtain the unprocessed household data from the Economic Planning Unit, but admitted that this could be difficult. The statistics department also sells unprocessed survey data, access to which would depend on how much the research team could afford to buy. The accuracy of these data could also be critiqued by comparison with other indicators and proxy measures.

In terms of the whole research project, it was proposed that some basic aggregate data for all the case studies could provide a basis for comparison. One suggestion was that this should include national accounts data such as public expenditure as a percentage of GDP.

Another set of questions focused on the factor and cluster analysis carried out by Ku. This was considered to be useful, and it was suggested that this type of analysis could be employed throughout the project. Within the analysis, Ireland formed a cluster on its own, and it has been difficult to categorize the Irish case. The discussion revealed that Irish welfare reforms have been piecemeal and often appear to be at variance with one another. The issue that drives welfare reform is what ministers find at their weekly constituency meetings rather than paradigms of reform.

Ku's analysis also revealed certain similarities between Japan and Germany. The discussion considered research that has found similarities between German and Japanese industrial policy and their development strategies. However, other research has shown that in terms of welfare and taxation, Japan belongs in the same group as the Republic of Korea and Taiwan Province of China.

Despite the interest of the regime classification carried out by Ku, several participants noted that it is important that the research should not look at regimes as being frozen. One of the interesting opportunities of the research is to study variations between regimes and the transitions between regimes.

The presentation showed that Taiwan Province of China has managed to avoid high levels of inequality despite relatively low levels of social investment. This points to certain mechanisms that have led to egalitarian distribution. However, it was also pointed out that although inequality is relatively low according to Gini coefficients, these figures might mask substantial gender inequality, about which Gini coefficients say nothing. Regarding Malaysia, Khoo accepted that there is gender inequality but doubted whether it is as pronounced as in many other East Asian countries. The Malaysian state has a policy of incorporating women in public policies and this has been relatively successful.

The discussion also focused on the strength of state capacity in Malaysia. Khoo illustrated this by comparing Malaysia with Indonesia and Nigeria and the countries' abilities to use their oil revenues. One participant felt that the strong state capacity in Malaysia and, indeed, in Taiwan Province of China is partly to do with the symbiosis between the political party and the state. This is very much in contrast to the situation in Europe, where governments either have a Left- or Right-oriented political stance.

Session 6—Brazil and South Africa

Brazil and South Africa represent cases with far-reaching structural transformation, with a large industrial labour force, commercialized agriculture and a vanishing peasantry. Industrial strategies have tended to be skills and capital intensive, resulting in highly segmented labour markets, high levels of inequalities and poverty. In Brazil, labour migration from rural to urban areas produced a large informal sector. An informal sector was not allowed to develop in South Africa as a result of the labour control policies of the apartheid regime. Instead, the capital-intensive growth strategy has produced high levels of unemployment. Brazil has witnessed cycles of authoritarian rule and democracy, whereas before apartheid was dismantled in 1994, democratic participation was restricted in South Africa to a minority white population.

Sônia Draibe presented the Brazil case. During the twentieth century, Brazil developed a modern society with an industrial base, moving from an agrarian past where primary exports dominated until the first decade of the nineteenth century. The entire process of this momentous transformation of the social structure was presided over by the state through two successive de-

velopment strategies: the Developmental Strategy from the 1930s to 1980s; and the Liberal Strategy from the 1990s to the present. Between 1930 and 1970, Brazil focused on rapid industrialization, economic growth and urbanization. This was aided by favourable international conditions, in particular, the availability of foreign capital. However, during the last two decades of the twentieth century, Brazil experienced economic stagnation leading to institutional reforms, privatization and deregulation. These reforms have been particularly difficult for manufacturing industry, although others, especially those involved in agri-business, have been able to take advantage of the increasing access to foreign markets.

Brazilian society changed substantially during this time with rapid population growth and urbanization, and most recently with the democratization of its social and political institutions. There has also been significant growth in the numbers of unemployed, approximately 12 per cent in 2003, and those working in the informal sector constitute about 58 per cent of the economically active population.

However, there have been significant improvements in social indicators, such as life expectancy, infant mortality and literacy rates, surprisingly during both fast and slow growth periods. Despite this, Brazil's income distribution is among the most unequal in the world, with a Gini coefficient of approximately 0.6 for the past 40 years. The north and northeast remain extremely poor, whereas the south and increasingly the central western region are far wealthier. Poverty rates fell from the 1940s to 1980. However, this trend was reversed during the 1980s, rising to approximately 35 per cent of the population by the mid-1990s. Following implementation of an economic stabilization programme, poverty has since fallen, with a decrease in both poverty rates and inequality observable since 2003.

The Brazilian study will emphasize three main issues: differences and similarities in the two strategies that defined development between the 1930s and the present; the characteristics of the Brazilian welfare state during this period; and contents of the two reform cycles that changed the social policy system in the last century: the democratizing cycle of the mid-1980s, and the liberal cycle, undertaken in the second half of the 1990s, pushed by the complex agenda of stabilization, market-friendly reforms and consolidation of democracy. Draibe emphasized three major aspects of both cycles: reforms have not changed the original conservative welfare policy regime; there is a path-dependent relationship between the two cycles; and the liberal cycle has not followed the neoliberal model in the social policy field, and is not against the reformist and democratizing movement of the 1980s.

Public welfare provision comprises universal coverage for health and education, alongside targeted social assistance and cash benefits to the poor. In addition, the welfare system also includes contributory services, in particular social security, and market provision. Although primary education coverage is now 97 per cent of the population, secondary education is only slightly more than 25 per cent, and poor outcomes in terms of education leave Brazil among the worst of the Latin American countries.

In terms of health, Brazil has created a public integrated health system based on universal entitlements and free provision. A programme of social assistance was also created by the constitution of 1988, which is marked by two distinctive features: strong institutional design; and the participatory design by social councils created in almost all of the Brazilian municipalities.

Jeremy Seekings presented an overview of public policy and poverty reduction in South Africa. South Africa has a history of systematic, state-led racial discrimination and very high levels of income and wealth inequality. Democratization only occurred relatively recently, with black South Africans only achieving the right to vote in 1994. Organized labour for skilled workers is strong, with centralized collective bargaining, and this has influenced the South African growth strategy, which is skill and capital intensive. As a result, those in employment enjoy relatively high wages, and productivity has risen alongside falling employment.

Many post-apartheid public policies have been strongly shaped by the legacy of the apartheid period. Even before 1994, there were relatively pro-poor policies in South Africa, in particular non-contributory pensions for blacks since the 1940s, although racial parity in benefits was only attained in 1993. Seekings argued that the de-racialization of public policy that gained momentum after 1994 might have affected distributional outcomes, with class replacing race as the basis of economic inequality. He noted that the poor are mainly marginal sectors of the working class,

such as rural workers and domestic staff, and an underclass of households, which have no employed members. As there is virtually no informal sector or peasantry in South Africa, this underclass is particularly vulnerable.

The last 10 years have seen a rapid increase in the black middle classes but unemployment has also increased, rising to approximately 40 per cent, causing the economic underclass to expand as well. Income inequality has risen since 1994, having remained relatively stable during the apartheid years. Although policies have been de-racialized, they still only benefit formal, skilled workers, and the government's macroeconomic and growth path is still based on a high-skill, capital-intensive strategy. There has been some reallocation of funds to health and education in poor areas, but this has not been reflected in an improvement in the quality of education, and improvements in health care have been offset by the impact of HIV/AIDS. The virus has caused life expectancy in South Africa to fall significantly over the past 10 years, and this has also caused a considerable decline in South Africa's HDI score.

Approximately one in four South Africans receives social assistance grants, the budget for which constitutes a very high proportion of GDP. In particular, the old age pension is very generous and is often required to support entire households. In addition, the child support programme has expanded its coverage greatly in the post-apartheid years.

Discussion

The discussion showed that in contrast to Latin American countries, and Brazil in particular, South Africa is unusual in having a 40 per cent unemployment rate and yet no informal sector. In order to survive, 10 million poor South Africans receive grants, which sometimes support entire families. When no one in a household is employed or receiving grants, the household members are forced to rely on the support of family or kin.

In addition, other substantial differences between Brazil and South Africa were also pointed out in the discussion. In particular, it was noted that South Africa collects twice as much tax as Brazil. Indeed, the whole Southern African region has high levels of taxation and, as such, it was suggested that comparing the experience of South Africa with neighbouring countries might be more useful. In particular, several Southern African countries had a white welfare system before independence, and different countries took different approaches to de-racializing this system. Zambia attempted to expand benefits to the whole population, which led to fiscal crisis, whereas Zimbabwe removed welfare for the white population. South Africa's approach has fallen somewhere in between these two experiences.

Several other questions focused on the links between inequality, redistribution and growth. In the case of South Africa, the benefits of growth are diverted into increased wages for formal sector workers rather than benefiting the poor and excluded. As such, it will take a long time for the benefits of strong growth to reach the poor while high unemployment remains.

Despite both Brazil and South Africa having Left-wing governments, both are currently pursuing predominantly neoliberal policies. As such, one participant wondered whether Left-wing politics made a difference anymore. Seekings felt that democracy certainly matters and that Left-wing governments are also important, as they have more political space to address social matters and greater success in dealing with inflation at the same time as redistribution through social assistance. Rather than being seen as a failure of Left-wing politics, in South Africa, the close ties between the government and organized labour provide a better explanation of constraints on the government's ability to change the South African growth path.

The effects of a globalized economy on the possibility of redistribution of resources were also discussed. One participant felt that due to the integrated nature of both the Brazilian and South African economies, the possibility of redistribution in South Africa would probably be followed by capital flight. As a result, governments have to respect private property and radical redistribution is unlikely. The adoption of the convertibility of the rand may have effectively made redistribution in South Africa impossible.

Finally, the importance of cross-country comparisons between Brazil, Malaysia and South Africa was raised. Each of these countries contains strong ethnic or racial divisions. In Malaysia, there has been a pact among the three main ethnic-based political parties to overcome ethnic divisions while the government attempts to promote both affirmative action and a

developmental state; whereas in South Africa, the difficulties of promoting both affirmative action and a developmental state may well be due to the fact that white capital has tended to support the National Party rather than the ruling African National Congress (ANC). As the National Party has withdrawn from the political pact that ushered in democracy, this presents a considerable problem for a coalition of government and business.

Session 7—Botswana and Kenya

Botswana and Kenya represent cases of low structural transformation, although Botswana has experienced high and sustained levels of growth since diamonds were discovered there in the 1960s. The number of workers employed in manufacturing is hardly more than 10 per cent of the labour force on average; manufacturing contribution to GDP is higher in Kenya than in Botswana, but much less in both than in the other case studies; and the manufacturing sector hardly contributes to export revenues. These are still exporters of primary commodities. Limited industrialization has meant that only a small proportion of the labour force enjoys social protection, even though significant steps have been made to promote education and other social services. Poverty levels have tended to be high. Botswana has enjoyed uninterrupted democratic rule since independence in the 1960s, while Kenya experienced a transition to formal democracy only in the 1990s.

Onalenna Selolwane began her overview of the Botswana research by describing the relatively rich resources available to the research team. They are able to draw on more than 20 years of research on poverty in different areas with substantial statistical information on the subject. The research team's task will be to pull together these diverse sources in the context of the policy regimes approach.

Selolwane then outlined the situation in Botswana at independence. The population at the time was 500,000 in a country the size of France. The main populated centres were located around water sources, with the remainder of the country being essentially desert. No significant mineral resources were discovered during the colonial period, with the result that the country did not attract full colonization. The country lacked infrastructure, having only three kilometres of paved roads.

The achievement of rapid economic growth was the goal of the Botswana government, and the government took an interventionist role in attempts to achieve this. In particular, the two-pronged approach was based on the beef industry and searching for new mineral resources that could finance rapid and sustained growth. A considerable amount of state resources were therefore focused on developing water sources for consumption and agriculture, including boreholes, dams and water pipes.

The discovery of diamonds changed everything, putting previously unimagined resources in the hands of the government, which it could use to invest in the rapid expansion of infrastructure. Indeed, this contributed to the transformation of Botswana during the first decade of independence from one of the poorest countries in the world to a middle-income country.

However, this rapid growth also generated great income inequalities, with the income of those involved in cattle farming and working in the public sector rising far quicker than those involved in arable farming. In addition, the diamond sector, though profitable, generated few employment opportunities. The relatively new government faced a political problem, as it had yet to establish its political legitimacy. There was therefore a need to bring about developmental changes, through the provision of health clinics, education and water supplies throughout the entire country, without preference for particular regions or ethnic groups. In addition, there was a great need for expansion beyond the cattle and diamond sectors.

The government invested massively in education from independence onward. However, the skills that students learned were often not what the private sector required. In addition, many graduates went straight from university into employment in the public sector, with the result that private companies had to compete with or even poach staff from the state by offering better conditions. By the late 1980s and early 1990s, the private sector began to negotiate with the government for a restructuring of education policy, reviewing the content of training.

The initial health strategy was based on preventive rather than curative medicine, due to the relative costs involved in the two. Such programmes involved immunization, public health education and public works programmes aimed at improving the level of hygiene.

As national income increased, the social and physical infrastructure required to bring services closer to the sparsely distributed population also became an important part of the health strategy. These investments resulted in significant improvements in health indicators, such as infant mortality rates.

A lot has been written about the powerful nexus of cattle owners and government decision makers, leading to favourable decisions for cattle farmers. However, there are other interest groups that have not received as much analysis. These include the labour unions, business groups looking for opportunities away from cattle farming, and environmental groups that have highlighted the environmental impacts of diamond mining and cattle farming.

Mohamud Jama presented an overview of the Kenyan development strategies. At independence, the Kenyan government stated that its development strategy would focus on forging "African values" of sharing and equity with economic modernization. This was based on a mixed economy, with the state dominant in planning the economic development of the country. However, a key part of this role was to attract foreign and national capital. In addition, the government expressed the need to address the problems of poverty, illiteracy and disease.

The government decided that available resources should be invested where returns were highest. Naturally, the result was that backward areas remained neglected while the better-off areas with more developed infrastructure and natural resources, such as the highlands, received greater levels of investment. This led to continued regional inequality in terms of infrastructure and social services.

The 1979-83 Development Plan established poverty alleviation as its explicit aim, with the District Focus for Rural Development introduced as a means for directing resources to the grassroots, district level. However, as with previous strategies, the papers setting out development plans did not translate into effective action.

Kenya at this time experienced several external shocks from oil price rises, as well as policy mistakes and mismanagement, which contributed to severe problems for the agricultural sector and throughout the economy. The resulting debt and economic problems have led to a number of government initiatives attempting to address problems of poverty, inequality and population growth.

From 1966 to the end of the 1970s, social services received between 19 and 23 per cent of the government budget, alongside complementary spending on infrastructure, including roads and water supplies, of between 37 and 46 per cent of the budget. However, the budget priority given to social services diminished with the implementation of neoliberal reforms following the debt crisis, although education continues to consume a large proportion of the government budget. As a result, basic services, such as running water, are still not available in many parts of the country.

Social exclusion based on region, gender and ethnicity has contributed to great disparity in Kenya. According to the ethnic biases of the incumbent president, services are either provided or denied to particular ethnic groups. The research will aim to investigate and understand the reasons for these inequalities. One important problem is a lack of comprehensive data in Kenya with some regions excluded from some government statistical reports.

The political system in Kenya concentrates power in the presidency, with almost all policies requiring presidential intervention and approval. However, there are also caucuses in the Kenyan parliament representing coffee growers, tea growers, livestock farmers and pastoralists. In addition, donors and NGOs retain considerable power in policy making, which should be taken into account in the research.

Discussion

The discussion that followed raised the issue of HIV/AIDS in the two case studies. The virus is a major problem in Botswana and in Kenya, though to a lesser extent. In Botswana, HIV/AIDS has undoubtedly had major implications for productive household capacity. However, health estimates regarding the prevalence and effects of the virus are unreliable.

The role of NGOs was also raised. These organizations have been very influential in Kenya, with civil society organizations and especially NGOs playing a major role in the development of the country's PRSP. In Botswana, the role of NGOs has not been of the same magnitude as in many other African countries, yet they have nonetheless made a contribution.

Several questions focused on the nature of the Botswana state and its ability to avoid many of the problems of weak governance that have been evident in many other African countries. As Selolwane explained in her presentation, diamonds were only discovered after independence and as a result the lack of mineral wealth during colonial times meant that the country had not been fully colonized. It was suggested that this led to the creation of the Botswana state without interests competing for control of mineral wealth.

One participant felt that although research has shown that Botswana has been a success in terms of democracy and economic growth, this does not necessarily extend to social policy. Social spending as a per centage of GDP is among the lowest in Africa and represents a "spillover" from economic growth. In addition, Botswana's reliance on diamonds is such that it retains significant reserves to ensure that it can pay for the country's imports should the income from diamonds decline. These reserves vary between the equivalent of three and 24 months of imports. Despite the poverty and inequality in the country, the government has not been forced to spend this money.

It was also noted that despite the economic success of Botswana and its strong, well-run bureaucracy, there had been no attempts to learn from the experiences of Malaysia or Mauritius, and that the country's wealth had not been used to fund a strategy for industrial transformation. This failure is not easy to explain, but Selolwane identified the lack of raw materials in Botswana as one factor that has impeded the development of manufacturing industry. In addition, South Africa has been very effective in preventing the development of a manufacturing sector in Botswana.

Session 8—Costa Rica and India

Costa Rica and India represent cases with a long history of democracy and medium levels of structural transformation. Although not spectacular as in the successful authoritarian developmental states, growth rates in India and Costa Rica have produced some levels of structural change. Both countries made efforts in the 1950s and 1960s to use the state as an active agent of development, including promotion of industrial policies, albeit with an import-substitution focus. Both have recently experienced greater economic liberalization and higher levels of growth. Competitive politics, in which two parties alternate regularly, and adoption of a social democratic orientation on welfare, have earned Costa Rica a much higher level of human development and poverty reduction than India, although liberalization seems to be undermining the political institutions for consensus-based social policy making.

Juliana Martínez Franzoni's presentation made a case for the limits to Costa Rican heterodoxy. She showed how Costa Rica had retained a democratic regime alongside relatively good economic growth and above-average social performance during the second half of the twentieth century. However, she noted that voter turnout in elections has been falling, corruption scandals have rocked public confidence in government, economic growth has been volatile and inequality has been rising.

Costa Rica experienced a golden age from 1950 to 1978, achieving some of the highest growth rates in Latin America, an impressive reduction in the level of poverty and infant mortality, and the consolidation of democracy albeit with limitations, such as the banning of Marxist parties between 1950 and 1970. However, this success was based largely on substantial foreign borrowing, which left Costa Rica vulnerable to the oil shocks of the 1970s and the fall in the price of coffee. As a result, Costa Rica experienced an economic crisis between 1978 and 1982, with a rise in unemployment, inflation and negative economic growth.

Costa Rica occupied a special geopolitical position at that time, as the United States was keen to support Central American governments, which were not aligned to the Sandinistas in neighbouring Nicaragua. As such, in the mid-1980s the Costa Rican government received 36 per cent of its budget in aid from the United States. This enabled Costa Rica to overcome the economic crisis far quicker than would otherwise have been possible, although this came at the expense of dependence on US foreign policy.

Since the crisis, Costa Rica has pursued a piecemeal set of solutions, with sometimes contradictory economic and social policies. Economic policy has focused on economic liberalization, attracting FDI and export promotion. However, the state has continued strong interventions to promote trade. In terms of social policy, while services continued to be universal, reforms led

to an increased reliance on a mixture of market, quasi-market and state provision.

Parallel to the Tico-style neoliberal turn in economic policy and the social democratic endurance in terms of social policy, legislation protecting civil, political and social rights increased considerably during the period, as did specific mechanisms to enforce these rights. In terms of state reform, Costa Rica has also seen the creation of many autonomous agencies to handle public funds, with the result that these agencies are now in charge of 65 per cent of the public budget, with the executive responsible for just 35 per cent. This period has therefore seen a reduction in state capacity in terms of budget and staff alongside an increase in its obligations.

Overall, macroeconomic performance has been relatively good, with Costa Rica registering the highest growth in Latin America, along with Chile, and a substantial increase in exports. However, growth and inflation have been volatile, and profits have been unevenly distributed, contributing to rising inequality. Costa Rica also ranks at the top of the Latin American region in terms of most social indicators, especially health, and Martínez Franzoni noted that this is mostly a result of secondary rather than primary distribution.

Export processing zones have been a key dynamic sector in Costa Rica's economic success. However, these have poor links to the domestic sectors and employ a tiny proportion of the economically active population. In addition, the informal sector is rapidly growing, accounting for more new jobs than the formal sector every year and, although still low, unemployment has reached its highest level in the past 20 years.

Costa Rica has retained a competitive multi-party democracy for more than 50 years. However, increasing voter abstention and social protests have demonstrated growing disillusionment with politics. Now Costa Rica faces a choice between consolidating neoliberal policies and extending them to social policies, or pursuing a social democratic path, not only in terms of social policy, but particularly in terms of economic policies.

Nagaraj Rayaprolu presented the India case. He began by highlighting the view that there has been no clear relationship between growth and poverty reduction in India. However, Indian politicians still focus on the need to achieve economic growth. As such, poverty is concentrated in certain areas of the country, while economic growth has been achieved in different regions. While economic growth as a whole has little relation to poverty reduction, agricultural growth has been shown to have a significant effect.

Poverty estimates in India are normally based on consumption data rather than income. These consumption data do not adequately capture the high-income population and so inequality is difficult to monitor accurately. In addition, as a large share of incomes is mixed, based on property and wages, measures of functional inequality are also problematic. More easily estimated are rural-urban and formal-informal sector inequalities, which have been shown to be increasing.

Rayaprolu identified three main phases of Indian development. The first, from 1951 to 1965, was a period of planned economic development based on import substitution and state investment. The intention was to address social issues through agrarian reforms. However, despite the government's rhetoric, these were often not carried out. During this period, India achieved economic growth of approximately 3.5 per cent per annum.

The next 15 years, from 1965 to 1980, were characterized by oil shocks and a food crisis. This meant that development planning could not be continued and resulted in a concentration on food production. Agrarian unrest during this period led to the government producing a poverty reduction plan based on credit to the poor and self-employment. Despite these problems, economic growth during the period remained at about 3.5 per cent per annum.

Since 1980, India has experienced crawling liberalization, with the state focusing on a limited number of areas, such as agriculture and fuel, and leaving the remainder to the market. The economy was on a higher growth path of between 5 and 6 per cent per year in the 1990s, mainly financed by domestic resources. This period also saw an increasing concentration on efforts to address poverty through education and health. Though it is hard to make estimates, social indicators have shown marginal improvements.

The period of high economic growth during the 1990s led to the feeling that India could progress without agrarian reform. However, to continue, Rayaprolu suggested, the government needs to provide physical and social infrastructure. Indian agriculture is currently going through a very bad period, with many districts experiencing agrarian unrest, and these areas are essentially beyond government control.

Rayaprolu felt that the research could make a valuable contribution by showing that poverty is not just about access to food. Access to water, for example, is now one of the biggest challenges facing India. In addition, there is a potential conflict between those pressing for further liberalization, and the need for a greater role for the state in social investment and mobilizing resources. The development experience of the liberal regimes has involved a greater alliance between big business and the state in pushing for a more liberal, export-oriented growth path.

Discussion

The discussion that followed considered how India had been able to avoid the debt crisis that caused such enormous problems for many developing countries during the 1980s. This was attributed to the traditionally low levels of debt in India, with little market borrowing and mostly soft lending from the World Bank and bilateral donors. The reforms that took place in 1991 were in response to a balance of payments crisis due in part to the collapse of the Soviet Union, which had been India's biggest trading partner.

The growth in the Indian economy has been largely due to the expansion of the services sector, with telecommunications and software particularly important. In addition, there has also been substantial growth in manufacturing and business processing. However, Rayaprolu felt that India had wrongly concentrated investment in higher education rather than primary education, with the result that India does not have enough skilled workers to take on China in terms of production.

As was raised in the presentation, there is a tension between the economic strategy of the Indian state, which increasingly depends on maintaining internal and external private sector confidence, and the need for public sector investment. The policy makers are essentially gambling that by retaining the confidence of the private sector, they will have greater tax revenues and will be able to step up the investment programme. However, Rayaprolu felt that this policy ignored the vulnerability and volatility that this provoked in the economy.

In terms of redistribution, radical land reforms are not usually discussed, even in academia. This is partly because the main problem facing India is water and not land. As such, even if land were redistributed, this would not benefit many people because there would still not be enough water to use the land effectively. An important aspect of Indian social policy is the employment guarantee scheme, which guarantees 100 days of work per year to those that want it.

The discussion also focused on the support received by Costa Rica from the United States during the early 1980s. Participants noted that this had both positive and negative aspects. While US aid brought policy constraints, the assistance undoubtedly enabled Costa Rica to get through the financial crisis much quicker than would otherwise have been possible.

The Costa Rican choice between the neoliberal and social democratic models is complicated by the contrasting views of the pro–Central American Free Trade Agreement (CAFTA) government, political parties and big business (mainly multinational corporations), and an anti-CAFTA movement comprising political parties, intellectuals, peasants, cooperatives and unions. As such, Costa Rica now finds itself at a crossroads, and Martínez Franzoni felt that if the CAFTA were ratified, this choice would be resolved in the neoliberal direction.

The discussion also raised the issue of migrants from Nicaragua providing cheap labour in Costa Rica. These migrant workers have been extremely important to the Costa Rican success and are very active in agriculture and as domestic workers. It was noted that so far state social services had incorporated migrant workers.

Martínez Franzoni noted that the external sector in Costa Rica is very dynamic in terms of growth, and the domestic sector is dynamic in terms of job creation, though increasingly through self-employment. However, the informal sector is heterogeneous and ranges from business people, who are able to pay their social security contributions, to street vendors, who are not able to do so. As such, the research will

need to make distinctions between different types of informal sector workers.

Finally, it was noted that the research in all of the case studies should be concerned not just with inequality and poverty as a share of income, but also poverty in terms of the quality of life of the poor. In this way, the research should consider whether the access of the poor to housing, water and sanitation, for example, had improved.

Closing Session—Wrap-Up of Research Issues

Yusuf Bangura provided an overview of the research issues and data requirements that would aid comparison of the case studies. He began by commending the thematic papers, which had been useful in raising conceptual and methodological issues, and in comparing case study experiences. The presentations on the case studies also provided very good insights on poverty and inequality and how these are affected by dynamics in the economy, social policy and politics. However, the coverage of issues was uneven across the case studies. Some of the researchers were only beginning to work out how they would proceed, while others, especially those who had previously worked on developmental states and welfare regimes, had good ideas about ways to proceed.

He pointed out that apart from the case studies, work would be carried out at UNRISD that would place the findings of these studies in a wider context for the forthcoming report on poverty. This would involve work to generate aggregate cross-country data and enable reporting on global trends related to issues being tackled in each chapter of the report. Nonetheless, the cases should be as comparable as possible.

For the case studies, detailed terms of reference have been provided on six broad areas to aid comparability. If the case studies are to be comparable, it is important to ensure that the key themes to be addressed in these broad areas are comparable. This requires a core set of data to aid understanding of the basic characteristics of the cases in the domains of the economy, welfare provision and political processes.

A crucial issue is the analysis of the growth or development paths of countries over long periods. Not all the presentations addressed this issue sufficiently. Some focused on the welfare regime or on official pronouncements on development strategies. A systematic treatment of growth strategies and their transformative effects is required. This can focus on strategies aimed at industrial transformation and how these impact other sectors of the economy, such as agriculture, services and the informal sector. The India presentation showed that these sectors might be expected to play different, even if complimentary, roles in development and poverty reduction.

Most countries have pursued a combination of import-substitution industrialization and export-led growth or export promotion, but with varying levels of success. A systematic treatment of the relations between the state and producer classes, especially business groups, is crucial in understanding the dynamics of development strategies. The literatures on developmental states and varieties of capitalism provide valuable insights in this respect.

Data are needed to aid understanding of the processes and levels of structural change, the sectors of the economy that drive the growth process and the extent to which the growth strategies affect labour markets across sectors. Some core data or indicators include: changes in the share of GDP of manufacturing, agriculture and services (the service sector may have to be disaggregated to separate out low-productivity informal sector activities from more productive activities); changes in sectoral employment; differences in labour productivity and income levels or dispersion across sectors; and the import-intensity of industrial strategies and extent to which import needs are met. Other basic economic data are essential and should cover growth; resource mobilization (taxation and savings); and investment, especially public investment. This should provide a good understanding about how the workings of the economy and the growth path affect income distribution and poverty, including the effects of tax policies on poverty and inequality before considering social transfers.

The terms of reference also provide leads on the types of data expected on social policy. Some countries, such as Botswana, Kenya, India and Malaysia, do not have strong social security traditions, as social expenditures focus largely on social services. Research on the welfare regime in these countries is therefore underdeveloped. The research teams in

these countries will need to generate and systematize data on social protection beyond what is usually covered under social services.

Data are required on social expenditure as a proportion of GDP, disaggregated according to types; social security expenditures as a proportion of GDP, again disaggregated according to programmes; institutional divisions—states, markets, communities, family, NGOs—in welfare provision; funding of social security programmes; the proportion allocated through the budget and the proportion that is based on voluntary or compulsory contributions; comprehensiveness and monetary value of programmes; coverage levels of programmes (percentage of population covered); eligibility criteria (whether they are targeted at certain groups, and the conditions attached, or whether they are universal; replacement rates (the proportion of lost income covered by benefits); spending on human capital development (education and training); and use of social funds for development purposes. At the end of the exercise, analysis should show the extent of redistribution and impact on poverty and inequality after social transfers have been effected. The terms of reference also provide detailed guidelines on the types of data expected on the provision of social services (such as water, education and health) and poverty.

Bangura pointed out that there would be specific chapters in the poverty report (see box 1) that would address issues of gender, ethnicity and income groups. So the data on poverty and inequality should be as detailed as possible if they are to be useful to UNRISD staff preparing these chapters. In addition, poverty should be traced over long periods, paying close attention to differences in poverty outcomes when countries change or reform their policy regimes, and highlighting groups that consistently have remained in poverty. Reference was made to Reddy's critical review of the $1 per day measure to track global poverty trends. In the absence of reliable comparable data at the international level, Reddy had suggested the use of national poverty lines that fairly reflect basic needs or, following Amartya Sen, elementary human capabilities. It would therefore be important to interrogate national poverty lines and data, pointing out weaknesses where appropriate. There is of course the problem Selolwane alluded to on quality of life. Research teams would also need to consider whether poverty lines really capture the quality of life of those slightly above the line.

Bangura also noted the considerable discussion of functional and personal income inequalities. For the purposes of this project, research teams should consider both, as they both are likely to yield interesting results. Central concerns include the links between poverty and inequality, in particular, tracing the structure and evolution of inequality under different policy regimes and periods.

Finally, the research teams would need to develop an understanding of the institutional configurations in the case studies. Boyer had provided very useful insights on this issue. The thematic paper writers will be retained as advisors to the project. The research needs to understand the specific institutions and policies that underpin development strategies in different sectors of the political economy, and their effects on growth and on poverty and inequality. The challenge will be how to adopt a time dimension in understanding institutional configurations and change, especially in economies that are not well integrated.

Discussion

One set of comments focused on the data requirements of the project. Stephens stated that he had recently collected similar data for the Latin American region and could offer advice in terms of what can and cannot be done. In particular, he found that the IMF data on social spending had the weakness that, for countries with a federal structure, it includes only social spending at the federal level and not the states. They were able to put together a better dataset using data from the Economic Commission for Latin America and the Caribbean (ECLAC). However, it is unlikely that this would be possible for the whole world. The WIID has the advantage of stating where data have come from. Indicators of economic liberalization are limited and those that exist do not correlate well even when supposedly measuring the same thing. Although there may be weaknesses in the calculation, the $1 and $2 per day poverty figures are the only ones that offer a wide coverage and international comparability. In addition, Naren Prasad and Eugenio Villar both offered to make available datasets that they have been using for their work on the construction of a social policy index and on the social determinants of health, respectively.

Reddy also warned of the dangers of over-reliance on the Gini coefficient as an indicator of inequality. Inequality is complex and can be ambiguous, and as

such it is important to look beyond the Gini coefficient by disaggregating and looking at the relative gaps between groups.

Several participants felt that it was important to identify some data, according to the economic, political and institutional dimensions of the research, which all research teams should present in their reports, which would enable better cross-country comparisons. These quantitative data, even if not used in regressions and correlations in the final research, could be a good check on whether the researchers understand the cases.

Mkandawire pointed out that three different literatures—on the developmental state, the welfare state, and democratic transitions—that do not usually communicate with each other have informed the discussion at the workshop. Trying to integrate these literatures to address issues of poverty and inequality would require new insights, and perhaps new types of data. For instance, the study of democratic transitions may yield different insights if researchers are also concerned about issues of equity and development. It is also important to distinguish between conjunctural and structural change as they have different implications for understanding changes in policy regimes.

The discussion also highlighted the policy focus of the research and the implicit criticism of current approaches, such as the PRSPs. As such, it is important to identify elements that help us to understand policy regime transitions and different paths to poverty reduction. The terms of reference are quite explicit in identifying questions in terms of the three spheres that the project will look at. However, it was agreed that UNRISD would draw out some possible hypotheses from this document to give the research teams common focus.

The contribution of the four researchers presenting thematic papers was recognized. It was noted that the demands of the research would stretch the case study research teams, and as such the availability of the thematic researchers to provide guidance to the research teams through the project would be greatly appreciated. It was also agreed that recommendations of relevant literature would be made to guide the work of the research teams.

Boyer proposed distinguishing between approaches that are case-specific, with each case study having a very different institutional configuration, from those that seek to find common themes across case studies but without adopting an ideal type or benchmark against which all other cases are compared. For instance, Costa Rica can be compared with France since at the political and economic levels, the issues raised in the Costa Rica paper are similar to those that scholars in France have been grappling with. In this regard, continued interactions between members of the workshop group may lead to two types of work: some diagnosing new causality mechanisms of transformations; and others working on new ways of reading comparative analysis across the case studies. This led him to distinguish between the deductive method of grand theory favoured by neoclassical scholars, and the more intensive type of comparative work that requires building up evidence to support or disprove a particular theory or concept. He referred to his comparative study of the United States and France, which seeks to extend the generalization of the concept of institutional complementarity, as useful in this regard. He believed that the ICH could be used to understand cases where reforms have been successful; and that it is possible to find some level of generality that applies to all cases, and maybe situations where one case could be compared to several other cases. The end result may well be a diversity of outcomes, because, as he put it, we can never find the founding principle but only the re-articulation of things, which are still open to political economy decisions, rendering them less deterministic.

It was agreed that there would be a Web site accessible to members of the research teams for sharing documents and continuing to discuss the research. All participants were encouraged to use this to share any literature that they thought would be useful to other members of the group.

It was concluded that the underlying research question is: how to achieve developmental, inclusive and democratic states? The past UNRISD research on Social Policy in a Development Context showed that many countries had not been able to achieve all three of these at the same time, with many countries only achieving two, one or even none of these goals. This project seeks to understand *why* countries have succeeded or failed in combining these dimensions.

Agenda

Wednesday, 21 February 2007

9:30–10:30 Opening Session
Opening Remarks and Presentation of the Project — Thandika Mkandawire, Yusuf Bangura

11:00–12:00 Session 1
Chair: Peter Utting
Institutional Complementarities, Growth Strategies and Poverty Reduction — Robert Boyer

14:00–15:00 Session 2
Chair: Katja Hujo
Welfare Regimes and Poverty Reduction — John Stephens

15.30–17:00 Session 3
Chair: Rolph van der Hoeven
Tracking World Poverty and Inequality: Problems of Data, Methods and Outcomes — Sanjay Reddy
Functional and Personal Income Distribution and Poverty — Franklin Serrano

Thursday, 22 February 2007

9:00–10:30 Session 4
Chair: Peter Utting
Case study of Ireland — Peadar Kirby
Case study of Finland — Jaakko Kiander

11:00–12:30 Session 5
Chair: Shahra Razavi
Case study of Taiwan Province of China — Yeun-wen Ku
Case Study of Malaysia — Khoo Boo Teik

13:30–15:00 Session 6
Chair: Yusuf Bangura
Case study of Brazil — Sônia Draibe
Case study of South Africa — Jeremy Seekings

13:30–15:00 Session 7
Chair: Kléber Ghimire
Case study of Botswana — Onalenna Selolwane
Case study of Kenya — Mohamud Jama

Friday, 23 February 2007

9:00–10:30 Session 8
Chair: Naren Prasad
Case study of Costa Rica— Juliana Martínez Franzoni
Case study of India— Nagaraj Rayaprolu

11:00–13:00 Closing Session
Wrap-up: Research Issues — Yusuf Bangura

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