1. The Meaning of Development: Brazil and Costa Rica

Economic development is the presumed solution to absolute poverty and to many of the world's other most pressing problems. But what is development, and how do we know it when we see it?

The term, *development*, has been used in several ways. Traditionally, it was equated with growth of per capita income. Since the 1970s, other indicators of development have become widely used by development scholars and development agencies such as the World Bank. The meeting of basic needs (or, equivalently, reduction in absolute poverty), the creation of modern employment opportunities, and the achievement of a less unequal distribution of income and farmland have all become important criteria in determining the level of development.

Traditional measures of growth, especially in developing countries, may be misleading in that they fail to account for the environmental destruction that often accompanies spurts in temporary and unsustainable economic growth; and economists are devising measures of the national capital stock that includes environmental wealth. The United Nations has placed both educational attainment and health standards on equal footings with per capita income as development criteria, in the widely followed United Nations Development Program human development index (UDI). Some leading development scholars, such as Denis Goulet, Dudley Seers, and Michael Todaro, have gone farther. They argue that more intangible goals, such as expanded ability to choose (including political as well as market freedoms), enhanced self-esteem, and self-actualization, must be considered development criteria in their own right, if not its only meaningful measures.

Thus, development is not necessarily the same as growth, although in poor countries growth is generally a precondition for meeting important development goals, such as poverty reduction. But if growth is a necessary condition for development in poor countries, it is not a sufficient condition. This case study comparing Brazil and Costa Rica brings out some of these contrasts in national development performance when different aspects of development are stressed.

These two Latin American countries are good cases to examine carefully because while Brazil is often cited as an example of a country experiencing growth without development and Costa Rica is often cited as a case of successful development, a close examination of these two countries reveals the great complexity of these issues.

Costa Rica is of special interest because it has stood virtually alone as an example of democracy and slow but steady economic development in an otherwise violent and stagnant Central America. In fact, the Costa Rican government was very active in efforts to bring peace to the Central American region.

Brazil is of special interest because its growth performance from the 1960s through the 1 980s was the best in Latin America, with at least some parallels with East Asian policy and performance (see Cases 3, 4, and 18). At the same time, other indicators of development in Brazil lagged, eventually undermining growth prospects.

Average Income and Human Development Levels. Costa Rica's per capita income in 1989 was $4,413 in purchasing power parity terms. The country is ranked as **a** "high human development country," number 42 of 160 countries on the 1992 index. In contrast, Brazil's per capita purchasing power parity income in 1989 was some 12% higher than Costa Rica's, at *$4,951*. But Brazil is ranked as a "medium human development country," number 59 of 160 countries on the 1992 index. Costa Rica is ranked 25 countries higher on the HDI ranking than would be predicted from its income ranking, while Brazil ranks five countries lower than predicted.

These differences are accounted for in health and education. Costa Rica's life expectancy at birth in 1990 was 74.9 years, compared with 75.9 in the United States. But despite Brazil's higher average real incomes, life expectancy at birth in 1990 was just 65.6 years. Similarly, Brazil's under-five mortality rate is 83 per thousand, compared with just 22 in Costa Rica. In the education sphere, Brazil's adult literacy rate is 8 1.1%, while that of Costa Rica is 92.8%. Helping to explain this difference, Brazil's people have 3.9 years of schooling on average, compared to 5.7 years in Costa Rica. In Costa Rica, six years of school attendance are mandatory and 99% attendance is reported.

Inequality. A comparison of the distribution of income in the two countries can be seen in the following table, derived from the *World Bank World Development Report*.

	Percent share:	
Quintile	Brazil	Costa Rica
Lowest 20%	2.1%	4.0%
Second quintile	4.9%	9.1%
Third quintile	8.9%	14.3%
Fourth quintile	16.8%	21.9%
Highest 20%	67.5%	50.8%
Highest 10%	5 1.3%	34.1%
Gini coefficient, early 1970s	.56	.45

Growth, GNPper capita, 1965—90 1.4%	3.3%
Growth, GNP per capita, 1980—92 0.4%	0.8%

Gary Fields concluded that relative inequality substantially increased in Brazil from the early sixties to the early seventies. This trend continued through the 1970s, as the World Bank estimated the Gini coefficient in Brazil to have risen from .565 in 1970 to .590 in 1980. Increases in inequality were largest in the agricultural sector. In 1980 the top 5% of farms comprised 69.3% of the farmland in Brazil. Most observers have concluded that an even steeper increase in income inequality took place in Brazil during the 1980s, as is confirmed by comparing income distribution data in successive World Development Reports. But inequality in Costa Rica is also high and only appears low in comparison to an extremely unequal country like Brazil.

Poverty. Fields concluded that the proportion of Costa Ricans below the absolute poverty line fell from 20% to 10% from the early sixties to the early seventies. In Brazil in this period Fields estimated the decline as from 37% to 35.5%. Today, absolute poverty is even closer to being eradicated in Costa Rica, while it has declined little in Brazil (see *World Development Report,* 1990).

What lies behind these very different outcomes?

Costa Rica' s background. Costa Rica' s modern development history begins with its 1948 revolution, and the broad-based development policies that emerged in its wake. The country has retained its democratic system since then, a rare exception in a region in which most countries have experienced extended periods of military rule in the postwar period. This democratic system should not be overly glamorized—the president holds substantial personal power; the legislative branch has tended to be inefficient and politically weak; central government power has expanded at the expense of local jurisdictions; and citizen participation is modest at best. The tax system in Costa Rica is quite regressive, like most countries in Latin America. The country experienced a 1 980s armed right-wing movement associated with the contras. U.S. military and economic aid has been significant, but two-edged. A 1980s scandal involved allegations that American aid funded a "parallel state"—one that drew part of its budget from high central bank interest payments on undisbursed USAID funds—and whose activities were directed at undermining Costa Rica' s government-directed development policies.

But elections are open and fair; the press is free; and there is substantial feedback from the governed to the government. In the 1 980s, democracy survived encroachment by contras and their local supporters, and Nicaragua' s Sandinistas fighting them. The dominant party since the 1948 revolution has been the National Liberation Party (PLN), traditionally social democratic but market-oriented in economic policy outlook. The stability of its democracy and consensus of its moderate development policies were confirmed when the moderate conservative Rafael Angel Calderon was elected president in 1990. In large measure he continued the policies of the previous PLN president Oscar Arias. In sum, Costa Rica has had among the most democratic histories in the developing world, even if it falls short by Western standards.

In the traditional view of Costa Rica's economic history, its better human development performance in relation to its Latin American neighbors is largely explained by its agrarian system, one that is said to be comprised mostly of humble but secure and solvent yeoman farmers. This differs from Latin America's characteristic Latifundia-Minifundia system, with its highly unequal distribution of land and sharp class distinctions. In this view, the historical differences are due in part to Costa Rica's lack of factors such as natural resources or a large native American population that would otherwise have drawn Spanish elites, who created the Latifundia-Minifundia system elsewhere in Latin America, to Costa Rica in the colonial period.

Historically, Costa Rica has had a larger yeoman farmer sector than most other countries in Latin America. But this difference of degree should not be exaggerated into a difference of kind, as it has often been. Latifundia have always been an important part of the rural economy in the northern Pacific region and elsewhere. An agricultural census found that 36.9% of the landholders hold only 1% of the farmland. The land Gini coefficient, a standard measure of inequality, was a staggering .86, exceeded elsewhere in Latin America but perhaps nowhere else.

Costa Rica's land reform efforts are commendable in the Latin American context, but should also not be overemphasized. The 1961 Law of Lands and Land Settlement, passed despite the strenuous resistance of land owners, provided for possibilities of land redistribution. But in the first decade of its implementation only about 4% of farmland was affected. A spurt of implementation in the mid- 1970s came to a halt by the end of the decade. James Rowles concluded that implementation of the law has depended on the balance of political forces, not on the law itself. In sum, although the people of Costa Rica have benefitted from its comparatively better agrarian system, including its better opportunities for rural economic mobility, the agrarian system is an incomplete explanation for the country's human development performance.

Other policies have been important contributors to development in Costa Rica. In the early 1960s, Costa Rica shifted attention from import substitution to export promotion. This was a timely change: countries that made this shift in the early 1960s, notably South Korea and Taiwan, have had striking development success. Costa Rica differs from those economies, however, in that its exports have been more concentrated in agriculture. The largest traditional crop is coffee, which together with bananas, meat, sugar, and cocoa comprised 70% of export earnings in the 1970s. Costa Rica has had some success in nontraditional agriculture, such as decorative yucca, however. Costa Rica also emphasized agricultural infrastructure and extension programs.

Development policy in Costa Rica paralleled that of the successful experiences of Taiwan and South Korea in a number of ways. Several of these policies, including mandatory education, led directly to human development. Until the mid-i 980s, Costa Rica continued to have a highly state-directed economy.

Costa Rica experienced an economic crisis from 1980 to 1982, including a rise in oil prices, sharp inflation, a serious debt crisis, recession and high unemployment, and, in response, moved to a more market-directed economy.

Brazil' s background. GDP in Brazil in the 1965 to 1980 period grew at an extraordinary 9% rate, and while the growth rate in the 1980s fell to 3.3%, this performance was still significantly better than most other countries of Latin America.

Industrial and export policies played an important role in Brazil' s successes prior to 1980 and to its comparative success among Latin American countries since 1980. Its percentage share of manufactured exports in total exports has grown dramatically, owing in part to this extensive industrial policy system. Manufactures now comprise 42% of total exports, tied with Uruguay for the highest share in Latin America. Actually, in 1980, the figure was substantially higher, nearly 57%, up from just 18% in 1965, all using World Bank data. Since 1982, Brazil has been forced by its debt crisis to expand exports in the quickest and easiest ways possible; this has often meant commodity exporting, often at high environmental cost as well as longer-run economic cost as primary prices decline. Costa Rica also has a huge foreign debt and has suffered similarly under its weight.

Brazil has had an export policy stressing incentives for manufacturing exports, with numerous parallels with Taiwan and South Korea (see Cases 3 and 18). Its pattern of combined import substitution and export promotion policies is strongly reminiscent of East Asian policy. For example, the World Bank found a "pro-export bias" in 11 of 21 industrial subsectors. Further, Fabio Erber found that tax incentives have been combined with the requirement that importers of parts and components export certain levels of final goods, in order to encourage exports in the electronics industry. A study by Renalto Bauman and Helson Braga of the role of selective financing in Brazil and concluded that “the subsidies involved in official credit have an important individual role in (explaining) exports, especially as regards industrialized products.” Brazilian capital goods exports have grown dramatically since the late 1 960s when they were targeted for industrial policy promotion. Morris Teubal concludes on the basis of in-depth case studies that their success is due to first building up reputation and learning by doing in protected domestic markets. It is at this point (and not before), he concludes, that the export subsidy has been effective at encouraging a switch to export activities.

As Werner Baer argues, Brazil has taken major strides toward industrialization since World War II. It has impressive production statistics in the growth of its systems of paved roads, electricity generation, and industrial output, including over one million cars, three million televisions, and two million refrigerators per year. Agricultural output has similarly grown. The average material standards of the country have improved substantially. Progress on social development has also been made; although the child mortality rate is quite poor by the standards of comparable countries today, like most developing countries Brazil has made great progress from 1960 when its rate was 159 per thousand to today’s 83 per thousand. But this has been more by default than through any proactive social policy. And such strides do not automatically propel a nation to advanced industrial status, a lesson underscored by the economic history of the former Soviet Union. Brazil’s human development statistics compare unfavorably with many other middle-income countries such as Costa Rica, and quite a few low-income countries, let alone with the advanced industrialized countries. A third of all children under the age of five suffer from malnutrition in Brazil, despite the nation’s plentiful food supply. The dramatic contrasts of Brazil are often expressed with the saying that it is “a Belgium inside an India,” which is an exaggeration but a telling one.

Brazil labors under the developing world’s highest debt, at over $110 billion, and has been one of the last debt crisis countries to arrive at a debt reduction agreement. A debt pact for Brazil was finally reached in 1994. From 1982 to 1995, the rate of investment was actually negative (—0.9% annually in the 1980—87 period), absolute poverty has increased significantly, and income distribution, already one of the worst in the world, has worsened further. It is not enough to say that industrialization and social progress have been derailed by a debt crisis, for a debt crisis is in large part endogenous, or the result of previous economic and social policies. A country that finds it easier to take on foreign debt than institute needed reforms will eventually suffer consequences.

Land reform has been repeatedly blocked by the political power of Latifundia owners. In Brazil, unequal land distribution produces political incentives to encourage poor farmers to establish inefficient rain forest settlements. The northwest state of Rondonia has experienced the most devastation, beginning with the 1970s construction of roads to the area and the encouragement of low-income farmers to move there. This policy represented a politically inexpensive—but ecologically disastrous—alternative to land reform. In fact, highly unequal patterns of land ownership soon asserted themselves in Rondonia (see Case 14).

Brazil and Costa Rica: Further Contrasts. Gary Fields, in his classic book *Poverty Inequality and Development,* examined Brazil and Costa Rica among other countries and concluded that "deliberate unevenness is the central feature of Brazilian growth," while Costa Rica's "emphasis on agricultural exports helped spread the benefits of growth throughout the country" and that "the Costa Rican economy grew, creating more modern sector job opportunities and educating the skilled labor force needed."

The size of Brazil in comparison to Costa Rica is not an adequate basis to dismiss the differences. For example, a 1993 World Bank study found that while Brazil's average per capita income grew by 220% from 1960 to 1980 with a 34% decline in the share of the poor in the population, similarly-sized Indonesia grew 108% from 1971 to 1987 with a 42% decline in poverty incidence. Much ground on poverty was subsequently lost in Brazil in the 1980s. Brazil today is one of the slowest growing and highest inflation countries in Latin America. One interpretation is that in the 1990s, Brazil's growth without, at least, much social development has created conditions in which growth itself is no longer possible unless attention is given to broader development goals.

Brazil has been described as a nation of voter apathy and weariness with politicians. Brazilians called on to choose among a king, a prime minister, or a president to run their country voted to retain the presidential system of government in a plebiscite. As president, Fernando Collor de Mello ordered a price freeze and the temporary seizure of 80 percent of private savings—over $110 billion—in an attempt to squeeze out liquidity, which he assumed would cause hyperinflation. The savings seizure destroyed confidence in financial assets and in the government itself, especially because government debt comprised 80 percent of the assets seized, offering the state an expedient means of reducing its expenses. Brazil's chronic inflation resides mainly in expectations and in government credit and credibility. President de Mello was impeached on corruption charges and resigned in 1993. The 1993 resignation of Paulo Haddad, Brazil's second finance minister to resign in a two-month period, sapped an already low level of confidence.

Some hope was returned to Brazil in October 1994 when Fernando Henrique Cardoso was elected president. Cardoso had devised a more effective anti-inflation campaign as finance minister in 1993 to 1994. A former leftist sociology professor turned moderate free-market reformer as leader of the Social Democratic Party, Cardoso is a politician of considerable skill and determination. It was widely perceived that if any leader were capable of bringing both political and economic reform to Brazil, it was Cardoso. By mid-1996, however, it became clear that Brazil's enormous institutional inertia would be very difficult for even a leader of Cardoso's remarkable abilities to overcome.

Costa Rica's foreign policy is "permanent neutrality"; it has no army by constitutional statute, and its police force has no modern military weaponry. In contrast, the military has long been powerful in Brazil, frequently playing a decisive role in politics and acting in its own institutional interests or siding with the landed oligarchy.

Race and racial discrimination is another area in which Brazil and Costa Rica differ markedly. Few discussions about poverty in Brazil pay much attention to race. But about half the population of Brazil is African or Mulatto in origin. This makes Brazil the second largest black nation, after Nigeria. And most of the poor in Brazil are black. While racism is a crime in Brazil, no one has ever been sent to jail for it. Hundreds of children living on the streets of Brazil's large cities are murdered each year; and most of these are black. The average black worker receives only 41% of the salary of the average white worker. Most of the million-plus Brazilians living in the worst *favelas,* or slums, are black.

In Costa Rica, descendants of the Spanish are a majority, while a sizable minority are Indian or Mestizo (compared with just 1% in Brazil). About 5% are black, generally of West Indian descent. Though there is widespread racism and discrimination against blacks, they have achieved a great deal of upward mobility compared with most countries in Latin America. Many have become landowners employing nonblacks as farm workers.

Conclusion. In this case study, a close examination of Brazil and Costa Rica has revealed the great complexity of the "growth without development" issues. Structural features of the two countries differ more by degree than by kind. In the case of Brazil, it might be more accurate to say that there has been considerable economic development without much social development, rather than the more blanket term "growth without development" that applies better to a few Middle Eastern and other energy-exporting countries. And other differences between Brazil and Costa Rica, besides policies that might account for human development performance, are obvious: for example, Brazil is by far the largest and most populous country in Latin America, while Costa Rica in contrast is a small open economy. But although broad generalizations cannot be made, the case study does bring out vividly the important idea that growth and development can be two very different matters, and that inattention to social aspects of development will likely act as an eventual brake on continued economic development.

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8. AIDS: Economic Development Impact and the Case of Uganda

The AIDS epidemic is spreading fast in the developing world, threatening to halt or even reverse years of hard-won human and economic development progress in numerous countries. Though usually thought of as an issue of health care systems and delivery, AIDS is equally an issue of economic development. Uganda has been one of the developing countries hit hardest by AIDS. Yet the case of Uganda shows that even a massive AIDS epidemic need not cause an African economy to deteriorate economically to the extent of a country such as Zaire. Implementing the right policies can help restore growth and development. But a policy of AIDS prevention is the best strategy for successful economic development.

AIDS, the final and fatal stage of infection with HIM the human immunodeficiency virus, is still widely perceived in the Third World as a disease of developed countries and one primarily afflicting homosexuals. In fact, these perceptions are far from reality. The World Health Organization (WHO) estimates that by 1992, over 10 million people worldwide were infected with HIM with well over 8 million of these, including over 1 million children, in LDCs. So far, the center of the epidemic has been in tropical Africa, where cases of HIV infection are estimated to have tripled from 2 million to 6 million cases from 1988 to 1992, and passed 10 million by the end of 1994. But it is believed that AIDS has reached a peak rate of new infections of just under 1 million per year between 1992 and 1994.

The emerging epicenter of the disease is in Asia, where the WHO estimates that new infections now total over 1 million per year, and will not peak and level off until 2010. The WHO' s estimates that 30 to 40 million people will be infected worldwide in 2000 are considered conservative by some researchers, and alternative estimates have gone as high as 120 million. More conservative computer models project up to seventy million infections by 2015.

Haiti, the Dominican Republic, Brazil, and Mexico are also seriously affected, and homosexual and bisexual men are still the highest risk group in Latin America. But in the developing countries as a whole AIDS is primarily transmitted by heterosexual intercourse; infected blood and drug needles, both by drug abusers and in hospitals, and perinatal transmission (from mother to fetus) also play significant roles. There can be a very long incubation period but average survival once AIDS symptoms set in is under one year in LDCs. Death from AIDS comes much more quickly in Third World than in developed countries. AZT and other expensive treatments are not available to over 99%

of the infected. Treatments are generally limited to aspirin, antibiotics for infections, and cortisone for skin rashes.

The problem of AIDS for development is an inherently multidisciplinary problem, involving not just medicine and medical research, but economics and most of the social and behavioral sciences. Sociologists or anthropologists must determine who the prime infection-spreading groups are in various regions, what is most risky about their behavior, and how to effectively change that behavior. Simulation models may also be useful in designing strategy. These models suggest that more significant reductions in the spread of HIV can be realized through changes in sexual behavior than through needle sterilization efforts.

In most cases, in order to halt the spread of HIV, sexual behavior must change. Unfortunately, sexual behavior is far harder to change than medical procedures. For example, a spokesperson for an advertising agency volunteering services for an AIDS awareness campaign in Thailand called attention to the resources that go into persuading people to change simple behaviors like favored brands of soap, a smaller problem than changing sexual behavior that is more basic and ingrained. Persuasion among less-educated people who may be prone to superstitious beliefs is all the more difficult.

Here is a look at six of the most important development issues raised by AIDS.

1. *Population growth.* AIDS could noticeably reduce the rate of population growth in the most affected countries, up to one percentage point per year by some estimates. But even under the worst credible scenarios, nowhere is population expected to decline outright. The occasionally expressed idea that AIDS will reduce the importance of family planning as a top development priority is muddled and irresponsible. The population pyramid is unlikely to change noticeably, because children increasingly are as affected as adults. We can only speculate at this time what the effect of AIDS might be on family fertility choice. On the one hand, women who discover they are infected may stop bearing children. Relatives caring for orphaned children may reduce their own fertility rates. On the other hand, there is evidence that some infected women might decide to have more children while they remain alive, despite the 30% or higher chance the baby would be born infected. Sexual behavior change and a wish to ensure that one does not marry an infected partner might lead to a lowered age of marriage, which could increase total fertility. In the hard-hit case of Uganda, the projections for population growth are for a reduction of growth of up to half a percent per year, which would still leave population growth at an extremely high level of 2.6%. As Mead Over has noted, if the only economic effect of AIDS was to reduce population growth, in any plausible economic model,

growth rates of income per capita would increase, because high population growth reduces per capita income growth.

2. *Basic needs.* The grim fact is that AIDS is creating a virtual generation of orphans in some African countries such as Uganda. When economically active adults die of AIDS they leave behind dependents, including children and seniors, who become more vulnerable to absolute poverty. Over one million AIDS orphans have been projected for Uganda and at least ten million Africa-wide by 2000. The World Bank has estimated that in East Africa, each woman dying of AIDS leaves three children orphaned. Providing basic needs for these orphans, ensuring that they are not discriminated against out of irrational fears, and seeing that they are able to obtain the few years of schooling that will help rescue them from absolute poverty will be a major development challenge. It is not a challenge that Africa, with all its problems, is accustomed to. Extended family networks have provided privately for children who have lost their parents. In some parts of East Africa this traditional family adaptation to death appears on the verge of collapse because of the scope of the AIDS crisis. In Uganda, the response to the orphan problem is to try to keep rural children on their farms so they can later support themselves, and otherwise to place children with relatives even if they are not immediate family. The poiicy to keep orphans living on their farmland is productive in some ways, but serious problems remain. These children are often in need of counseling, and social workers carry staggering caseloads. Orphaned teenage girls living alone on their farmland are sometimes preyed upon by thieves—and rapists who may carry HIV.

3. *Savings and urban modern sector investment*. Modern sector enlargement is dependent on savings. AIDS is likely to lead to national dissavings as earnings fall and the sick have to be cared for. This may be balanced in part by foreign savings. Aid may increase; on the other hand, direct foreign investment may very well decrease. Uganda has received considerable new support, in part because of its very severe AIDS epidemic. Many other countries will soon have an AIDS epidemic of the magnitude of Uganda' s, and resources will be diverted to those regions. Companies attracted to cheap and plentiful labor may reconsider their choice of a host country so long as they anticipate lowered supply and higher cost of labor as a result of the AIDS epidemic. Mead Over has shown that an AIDS epidemic can reduce the growth rate of per capita income in the average country in Africa even when it is evenly distributed across high and low productivity workers, provided that at least about *50%* of treatment costs are extracted from savings. Either a higher share of treatment costs coming from savings or a greater impact of AIDS on high skill workers increases the negative effect of AIDS, and the interaction of these two effects worsens matters. Over found that under the plausible assumptions that half of costs are financed from savings and the incidence of AIDS increases proportionally with education, growth might be reduced by about one-third of a percentage point per year.

Given the severe problems of the sub-Saharan Africa (SSA) region (see Case 26), this is a significant loss.

4. *Migration and the urban informal sector* There is growing evidence that the spread of HIV is strongly facilitated by active movements of migrant labor. Migrants, especially young males, are more likely to adopt high-risk behaviors, including frequent visits to prostitutes and intravenous drug use. They may bring HIV infection with them when they visit their home village.

5. *Rural/agricultural sector development*. Uganda has one of the world's highest percentages of the labor force engaged in farmwork, some 86%. A decrease in labor supply may mean a threat to "food security," or it may lead to a switch in crop composition away from labor-intensive agriculture. This may mean a switch away from cash crops and thus reduce foreign exchange earnings.

6. *Education and human capital*. AIDS predominantly strikes young adults in their most productive years. Although infectious childhood diseases still kill far more people in developing countries, AIDS strikes those who have successfully run this gauntlet of child killers. Throughout sub-Saharan Africa, AIDS is well on its way to becoming the leading cause of death of adult males in economically active years (ages 15 to 49). Urban areas have been hit first, but the virus is rapidly spreading into rural areas. Their societies are counting on the energies and skills of precisely the part of the population most afflicted. Labor shortages in specific skill categories are already emerging in Africa and will get worse.

Estimates of the net impact of AIDS on GNP would be highly speculative. A computer simulation model of Cameroon, designed to mirror the way its market economy works (a computable general equilibrium model), has confirmed the projection that the economic impact of AIDS is vastly magnified if the highly skilled are most affected. A macro model for Thailand indicated that the economic losses due to AIDS deaths is far greater than that due to increased medical care costs. But extensive reliance on standard multisector macroeconomic models for dependable numbers is very hazardous for the case of AIDS impact. This is because such models assume that the structure of the economy remains the same after a shock, whereas a brutal AIDS epidemic may lead to a collapse of the socioeconomic system as it had existed. Beyond this, GNP counts market activity, whereas the impact of uncounted economic activity of women on the farm and in the household may be large and spill over into the market sectors.

Because AIDS raises not just health issues, but development issues as well, an effective AIDS response must involve all the major development agencies and national ministries. WHO has taken the lead with its Global Program on AIDS. Most development agencies are coordinating AIDS efforts with WHO.

The case of Uganda has received considerable attention. Other African countries almost certainly have a higher rate of infection than Uganda, already a numbingly high 10% of the entire Ugandan population according to the WHO. Infection is unevenly distributed demographically and geographically; in Rakai District, for example, over 40% of men and women between 20 and 30 years of age are HIV positive. Some 20% are infected in the capital, Kampala.

A UNICEF study found that by 1989 there were already 600,000 orphans in Uganda, at least double the number of orphans there would be without AIDS, even given the effects of civil war and other widespread diseases. In hard-hit Rakai district, more than one in eight children are orphans, two-thirds of these because of AIDS.

Uganda illustrates that the course of the disease cannot be separated from the socioeconomic context in which it propagates. Uganda has a history of disastrous development decisions, and reversing some of these would mitigate the development impact of the AIDS crisis. In 1972, the unbalanced dictator Idi Amin expelled a majority of South Asian entrepreneurs from the country and confiscated their property. Asians then formed the nucleus of commercial agriculture and commerce in Uganda, but the moves drove about 70,000 of them into exile. The economy suffered severe hardships following these expulsions and other perverse economic policy decisions, some of which led indirectly to the AIDS epidemic.

Commercial controls led to an extremely active smuggling industry. Illegal, highly paid truck smugglers, often stranded for days in towns along smuggling routes, made frequent visits to prostitutes, encouraging the rapid spread of the disease. At the same time, the harshly dependent status of women, widespread polygyny, and generally weak foundations of marriage as an institution led to high rates of divorce, prostitution, and other types of rapid sexual partner changes.

Women' s de facto inability to own land despite the fact that they do most of the farmwork creates incentives for both sexes that anthropologists claim leads to this pattern of rapid sexual partner changes. This behavior is conducive to the spread of HIM while reinforcing low and declining agricultural productivity. There is little doubt that the horrendous conditions of rural women in Uganda, and Africa in general, is a crucial root cause of the rapid spread of HIV there.

The government of Uganda, a largely Catholic country, long resisted the promotion of condom use and was slow even to acknowledge the widespread presence of the disease. But after this slow start, the Ugandan government now has one of the most active and comprehensive AIDS prevention programs in Africa. Programs are coordinated by the Ugandan AIDS Commission Secretariat. The Commission is charged with "policy formulation and setting of priorities as well as overseeing, coordinating and facilitating all AIDS prevention, control and management activities throughout the country." Funding has been provided by UNICEF, WHO, USAID, the World Bank and the UNDP. Donor countries including the United States are probably more active on AIDS in Uganda than other countries as a result of the extensive attention to the problem there.

In the 1 990s, the Ugandan government has been making it easier for Ugandan Asians to reclaim their property, despite resistance from Ugandans who have profited from it. Some have returned only to sell their property. But about 7000 exiles have become permanently resettled in Uganda, and these tend to be the largest business owners. They are making a positive difference, reinvesting in their now-dilapidated factories, training workers, and helping Uganda to return to strong growth. Unhelpful regulation, often established to facilitate corruption, is being dismantled, with exchange controls lifted, state-run marketing boards dismantled, inefficient SOEs slated for privatization, investment tax incentives established, and an ongoing dialogue between private and public sectors. The government has succeeded in implementing a sound macroeconomic policy. Annual inflation has been cut from almost 250% in 1984/85 to about *5%* in 1994/95. And annual GDP growth reached nearly 10% in 1994/95 and is now projected to be in the 8% range in the next few years. Thus, in the midst of tragedy, Uganda shows that the positive effects of saner economic policies help compensate for at least the economic losses due to AIDS.

As is so often the case in development, private voluntary organizations (PVOs) are playing the leading role in developing creative, effective responses at the grassroots level. The Ugandan PVO, The AIDS Support Organization (TASO) has played a crucial role in treatment, family assistance, and counseling. Mass media was used, sometimes to good effect, but unpretested commercials have sometimes been misinterpreted or have even backfired. A famous example was the slogan "zero grazing," a locally sophisticated way of saying "stay with one partner," but which many ordinary people did not understand.

Condom use has increased in Uganda and some other African countries, but is still very limited. In particular, there is extremely little acceptance of condom use among married or regular partners, regardless of the amount of extramarital sexual activity. But the AIDS film, "It's Not Easy," was a great success that was viewed by some 90% of Uganda's formal sector workforce. Together, these public and private efforts do have a real effect. T-shirts are seen everywhere, with mottos like "Love Carefully." In Uganda the prostitution industry in towns known to be highly infected has dropped dramatically. These campaigns have paid off. Several recent studies have shown that the rate of AIDS infection among teenagers in Uganda has dropped steeply from 1990 to 1995, most likely due to the adoption of safer sex practices. Other statistics show that the proportion of pregnant women testing positive for HIV in prenatal clinics has also dropped significantly.

But Tony Barnett and Piers Blaikie's report on studies of AIDS in Uganda shows that steep challenges remain. It is widely believed among Ugandans that people who discover they have AIDS deliberately infect others sexually. There is at least some evidence that this actually happens, as men with the disease have admitted trying to infect women, including through rape. This is reportedly motivated by anger at having to "die alone." Women infected with HIV are reported to take a gamble at bearing children so they do not "feel cheated by death." If ghastly attitudes like these are indeed commonplace, it will be a formidable task to get the epidemic under control, whatever economic incentives and social programs are put in place.

The spread of HIV has been demonstrated to be significantly promoted by the presence of other sexually transmitted diseases (STDs). In both Asia and Africa, transmission of HIV is abetted by widespread prostitution, especially in conjunction with other STDs whose sores promote viral invasion, and by poor hospital hygiene due in part to resource shortages. Other core transmitters of the virus have included truck drivers and military personnel. The cost effectiveness of AIDS education campaigns can be highest when aimed at high-risk groups who start with a low rate of HIV infection. A useful rule of thumb for targeting regions and subpopulations is to find groups who combine low HIV infection rates with high incidence of other STDs.

Although the AIDS epidemic has spread most quickly in Africa, Asia has now surpassed it in numbers of new cases, and is projected to soon surpass it in total cases. Much of the attention in Asia has centered on Thailand, where some newly affluent modern sector workers are said to commonly visit prostitutes almost daily, and prostitution is packaged as "sex tours" for foreign businessmen. Some 700,000 people, well over one percent of the Thai population, are already estimated to be infected, and at the current rate of dissemination the figure will reach 10% within ten years. Slowing an effective response is the fact that AIDS has been widely viewed by Asians as a "foreigner's disease."

Thailand may have the highest infection rate today in Asia, but other Asian countries are not far behind. In India, over 1 million people are already estimated to be HIV positive, but over 95% of the blood supply there is not being tested for the virus. Indonesia has not been seriously affected yet, but is estimated to have close to 1 million prostitutes. Malaysia has about 1 million intravenous drug users.

In sum, as the case of Uganda reveals, each sector of the developing economy, and indeed every aspect of human development will be severely, if sometimes indirectly, affected by an AIDS epidemic. AIDS is much more than a health issue, and all agencies concerned with development must work with health officials to halt its spread. The later the development of an effective AIDS policy, the greater the ultimate costs, such as medical care, undereducation of orphans, and output loss. These costs cannot be estimated accurately but the magnitudes are so large that even a high discount rate does not alter the conclusion that early intervention is urgent.

An effective response to the problems of AIDS and development will require a careful balancing act of policymaking. Despite the human tragedy and development catastrophe of the AIDS epidemic, it is important not to let resources for HIV programs overshadow other worthwhile development projects. At the same time, the potential problem is severe enough that development project planners need to keep the problem at the forefront of attention. Each new health, population, and basic needs project is now required by several development agencies to either contain an HIV component or to justify why this is not relevant or cost-effective for the project. This requirement is likely to be adopted by virtually all development agencies in the near future.

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26. Africa Falls Behind: Debate over the Causes

The poor performance of sub-Saharan Africa (SSA) compared with other developing regions over the last two decades has been of deep and growing concern in the development community. Extremely rapid population growth, environmental degradation, and steady increases in the number of absolutely poor people have been widely noted aspects of the SSA crisis. Absolute poverty refers to an income level so low that those with this standard of living may be said to be in absolute human misery. Often calculated at a dollar per person per day, the income is set so that those falling below this level have their basic health in jeopardy. (For details, see Michael Todaro, *Economic Development*, Sixth Edition, chapter *5.)*

Life expectancy at birth in the region is only *53* years. Infant mortality is still over 100 deaths per thousand live births. The population growth rate is over 3% per year. The World Bank has noted that in at least 16 African countries a child is more likely to die before the age of five than attend secondary school. The adult illiteracy rate is over *50%*. Today, some 19 countries in SSA are poorer than they were a generation ago.

Numerous causes of poor SSA performance have been hypothesized—I 8 are introduced in this case study. These are organized according to factors that could be considered largely exogenous, those reflecting government failure, and those representing mixed exogenous and policy failures. The major categories are first outlined to provide an overview of the topics of this chapter.

Exogenous factors

I. Legacy of the colonial period
2. War
3. Commodity price declines

Government failure factors

4. Poor governance/corruption
5. Low investment in human capital (education and skills)
6. Poor macroeconomic policies
7. Excessive state ownership in industry
8. Poor business climate; harassment of entrepreneurs
9. Neglect of agriculture

11. Low incentives for foreign investment

Mixed exogenous and policy failures

12. Debt crisis
13. Low savings and investment in nonhuman capital
14. High population growth
15. Environmental degradation and climate change
16. Poor advice and harsh conditionality from international agencies
17. Inequality
18. Underdeveloped institutions

It seems clear that only some of these are primary root causes, and others are symptoms or secondary, proximate causes. But which ones? In this case study, we will look at the arguments on each of these factors. As we will see, many of these explanations are closely interrelated. The debate is still very active, and it will require many more years of experience before the relative merits and demerits of these arguments will become more fully clarified.

An examination of possible factors in the poor performance of sub-Saharan Africa

Exogenous Factors.

1. *Legacy of Colonial Period*

Much of Africa was colonized by European powers, beginning in the 19th century and extending to the 1960s. There is no doubt that Africa was particularly victimized by colonialization. Unlike other colonized regions, such as the Americas and South Asia, little attempt was made to educate and train local residents, bring them into the local colonial administration, or even help them to get involved with local commerce. Colonial borders were defined with an eye to divide and rule. Residents were divided without regard to language, religion, ethnicity, or any of the other factors that help make a cohesive nation state in Europe and elsewhere. This type of diversity may have benefits for a nation's progress, but this requires an overriding identification with the nation, something that was not present in Africa at the time of decolonization. It was not uncommon for countries in Africa to become independent with just a handful of university graduates among its citizens. The slave trade that preceded colonialization for centuries probably did much to set the stage for the later problems of the region.

Thus the legacy of the colonial period should not be dismissed as an important explanation of Africa's current problems. At the same time, it should be noted that Africa's performance in the 15 years immediately following decolonialization was substantially better than that seen in the two decades following. Some very poor choices, apparently made in the early years of independence, continue to have important consequences today. The better, early performance may have been due to unsustainable practices. Colonial powers cannot be entirely to blame for this, though they may have given bad advice and incentives to follow poor policies. Moreover, 35 years after many countries have become independent, it is no longer very helpful to focus exclusive attention on a cause for problems for which policy can today do little to redress. Thus it is very important to examine other possible causes, on which today's governments may make a positive (as well as negative) difference.

2. *War*

Partly as a legacy of colonialism, Africa has had more than its share of regional wars, and especially civil wars, over the past two decades. These wars have debilitated some of Africa's most promising economies, such as Angola. In the last 30 years, war has led to the direct or indirect deaths of about 7 million Africans, and caused enormous destruction to SSA economies. Most famines in Africa have been caused or at least greatly aggravated by civil wars. With the end of the Cold War in 1989, the external support for many of the protagonists in these wars has slowed to a trickle or dried up entirely. With African countries taking the lead, international efforts should focus on resolution of remaining conflicts, and do a much better job of monitoring emerging conflicts and seeking to broker peaceful agreements. Wars can also have persistent negative effects on economic growth. And, of course, war is not always imposed on governments—it can be the result of poor economic policies as well as bellicose international diplomacy. But we will need to look elsewhere for the key sources of better or poorer performance after wars are concluded.

3. *Commodity Price Declines*

Prices of commodity exports declined significantly in the 1980s, and evidence shows that there is a downward drift in the long-term trend of these prices. (See Michael Todaro, *Economic Development*, Sixth Edition, chapters 12—13; and Reinhart and Wickham, 1994). Certainly Africa was negatively affected by the commodity price declines of the 1980s. This has been a major factor in SSA's severe debt crisis, and has worsened the poverty of farmers; as we will see, this in turn has helped spur high population growth and environmental degradation.

Commodity export expansion has often resulted from development advice to follow traditional comparative advantage. Major aid agencies such as the World Bank have promoted commodity exports from developing countries. Aid agencies and even their departments have worked in relative isolation to promote exports from specific countries or regions. Because most of these countries are small in the context of the world economy, prices are taken as given in much economic analysis. Yet a World Bank study found that the expanded sugar export projects in which the bank participated in the 1974-1985 period would account for about 20% of world sugar exports. The focus of aid agencies is now on structural adjustment, and aid agency policies may play a small part of the overall explanation, but better coordination of aid policies may be called for.

In any case, commodity price declines is not a sufficient condition for the scope and magnitude of Africa's economic problems, and it does not offer an explanation for the failure of these economies to diversify into other products.

Government Failure Factors.

External factors are **a** significant part **of** the explanation and cannot be dismissed. **Yet** they are **not the whole story, and** poor policy responses to existing problems have worsened more than improved them. Attributing responsibility entirely to external forces also tends to turn perceived dependency into a reality, or into more of a reality. A significant part of the problem can be traced to failures of the governments themselves.

4. *Poor Governance, Autocracy, and Corruption*

Sadly, many of the most corrupt governments in the developing world are to be found in SSA. Corruption is found throughout the developing world, and in developed countries such as Italy; the problems with corruption in Africa can be seen as more of degree than of kind. Corruption and autocracy need not go hand in hand, and democratic countries may have corrupt governments. But certainly in the 1990s democratization has not been an obstacle to needed liberalization, or to good policy choice in general, in economies as disparate as Taiwan, the Czech Republic, and Argentina. The 1991 WorldBank *World Development Report* summarized evidence that fast-growing East Asian economies have been exceptions in their high-growthlauthoritarian government combinations. Moreover, while it is widely argued on political economy grounds that democracies tend to overspend, the empirical evidence shows that democracy is no worse for fiscal balance than its alternatives. (Some contrary evidence has been published, but it relied on low apparent deficits of Communist countries in the 1970s, which had central planning to collect revenue and whose data is unreliable.) An open question is whether aid should be conditional on democratic governance. But certainly it does little good to provide aid if most of it will be diverted from the intended recipients. For details on perhaps the worst such case, and the international response, see Case 2 on Zaire.

5. Low Investment in Human Capital (Education and Skills)

The contrast in investment in education in SSA and East Asia could not be more dramatic. In the early 1960s, when the income levels of these regions were not far apart, East Asian countries invested considerable resources in primary education, and continued a substantial commitment in this field. They did so at income levels comparable to those of SSA today, which shows that Africa's educational failures are not due simply to the lack of resources, but of political will. Indeed, though aid is generally thought to have become more difficult to obtain, there is more foreign aid available for education now than in the early 1960s. Instead, for many countries—and there are exceptions, such as Botswana—other priorities have simply been considered more pressing. SSA countries spend about the same budgets on the military as they do on education. By contrast, in East Asian countries, often thought of as located in a militarily tense area, spending on education far exceeds defense outlays. These ratios are even more lopsided regarding another important dimension of human capital, investments in health. The evidence is overwhelming that investment in girls' education is particularly beneficial in reducing fertility, raising productivity and improving the well-being of children; yet the enrollment gender gap is especially high in many SSA countries. It should also be noted that the AIDS epidemic in SSA has particularly affected more educated, urban workers. If the epidemic is not contained, it will place further constraints on growth. (See Case 8).

6. *Poor Macroeconomic Policies*

The large, money-financed budget deficits in the SSA region lead to high inflation, which in turn shifts investment to unproductive commodity hoarding. The region is badly in need of thoroughgoing tax reform, yet only a few countries, such as Ghana, have begun serious efforts in this direction. Exchange rates have been chronically overvalued.
Abrupt changes of course in macro policy are sometimes followed by equally abrupt reversals. Savings is low and the financial system is very underdeveloped. Again, the contrast with East Asia could hardly be more dramatic. The World Bank's East Asian Miracle report found that macro stability was a clear source of the East Asian region's success. As

a precondition for much else in economic development, improved African macro policy must be a priority.

7. Excessive State Ownership in Industry

Privatization has been coming much later to Africa than to Latin America, Asia, and the transition countries. Economists almost universally believe that governments are least efficient—and least needed—in the directly productive sector. Resources and attention are thereby diverted from the sectors, such as health care, education, and environment, where governments can make a large, positive difference.

8. *Poor Business Climate and Harassment of Entrepreneurs*

Business is often unpopular with the citizenry in SSA, and officials find that it can be politically popular to harass successful entrepreneurs. But the effect of this harassment on development is very costly. In most SSA countries, rewards have not been linked to economic performance. There is little doubt that these poor incentives play a part in explaining the problems of the region.

9. Neglect ofAgriculture

Although the share of national income accounted for by agriculture tends to decline as an economy develops, it certainly does not follow that policy can neglect agriculture and concentrate on industry and services. In fact, an increase in agricultural productivity has been the hallmark of early stages of economic development since the dawn of the modern era. The SSA region has had extremely poor extension and research services, poor transportation and storage infrastructure, and discriminatory pricing policies. These policies have discouraged farmers from raising productivity and shifting from subsistence, slash-and-burn agriculture to cash crops and practices that could raise productivity and incomes. Moreover, women are now responsible for over 70% of all agricultural work in SSA. Yet extension, credit, and other agricultural services that do exist are typically oriented toward male farmers, despite some changes (see Case 6). Finally, wages are artificially high in urban areas, encouraging the best educated and most ambitious rural residents to migrate.

Expansion of exports represents an important element in development strategy. Overvalued exchange rates, high export costs, bureaucratic red tape, and corruption have all served to discourage firms from trying to increase their exports. This is almost certainly an important factor in the relatively poor performance of the region, closely connected to the poor governance explanation.

11. *Low Incentives for Foreign Investment*

An economy would be hard-pressed to develop successfully without a strong base of domestic firms, but direct foreign investment (DFI) does have a significant role to play in economic development (see Case 20). Governments in the region have discouraged foreign firms from investing by creating a poor general business climate, allowing corruption to continue unchecked, carrying out poor macro policies, and putting ill-considered barriers to investment in place.

Mixed Exogenous and Policy Failures

12. *Debt Crisis*

Over the last 15 years, most popular discussions of the debt crisis has centered on the Latin American region. This is due in part to the much larger sums of money owed by this region and the dangers the crisis there posed to U.S. banks. But in terms of impact on people, the debt crisis in SSA has been much more substantial. The debt of the SSA region is actually much larger in comparison to their much smaller economies, and the absolute poverty of many citizens in the region has made the debt a much greater burden to bear. The debt crisis has been caused partly by exogenous forces such as the decline in commodity prices, but also by very poor policies, including wasteful use of government directed investment funds, inefficient management and outright theft of assets, as well as an incentive system tilted toward encouraging imports and discouraging exports. Note that the increased capital flows to LDCs prominently advertised for Latin America and elsewhere have yet to benefit the SSA region, so this important avenue for debt crisis resolution has been unavailable. Policy reform may well be a precondition for any significant increase in these flows to SSA. But a World Bank study concluded that a major lesson of the debt crisis is that the private sector cannot be counted on to finance investment in the poorest countries, and official development assistance will continue to be needed; indeed, this conclusion suggests that aid should be strongly focused on the SSA region.

The government has only a limited ability to affect individuals' willingness to save, and it is not surprising that in economies with very low incomes we observe low saving rates and a large part of the population living below the absolute poverty line. But a climate of high inflation, insecure investment, capricious taxation, and harassment of successful business people has certainly contributed to low savings. Certainly the now fast-developing East Asian economies managed a much higher savings rate at a time when their incomes per capita were comparable to much of SSA today. Better incentives for domestic savings will have to be put in place.

14. *High Population Growth*

Population growth rates in Africa have been the highest of any region in recorded history, and all observers agree that this has been a factor in holding down per capita income. As is well known, the poor have high fertility in part because children soon contribute to family income, and later to their parents' support in their old age. Population issues cannot be separated from the status of women, who may be particularly dependent on children for economic support in old age. Women often are barred from owning property or benefiting from other legal protections. World Bank studies have confirmed that gender inequalities have played a major role in population growth. Increasing employment and income earning opportunities for women should be a top policy priority. (More on population in the next section.)

15. Environmental Degradation and Climate Change

The SSA region faces a wide range of environmental problems, including deforestation and degradation of farmland, with damage to wetlands and grasslands, the loss of biodiversity and hunting, increased air and water pollution, poor waste disposal, drought, floods, and insect outbreaks. Certainly some of the severe environmental problems that SSA has faced in recent years, such as spreading desertification, are to some degree the result of factors outside of human influence. However, much of the environmental threat in SSA can be clearly linked to human activity.

Much of this environmentally damaging activity results from high poverty. Conditions of absolute poverty induce the poor to become agents as well as victims of environmental degradation. The absolutely poor have an incentive for high fertility to increase the number of potential income earners in the family and provide for old age income. The poor have every incentive to run down the fertility of their soil if they knowthey—and their children—may not survive to benefit from conservation. Indeed, the poorest are known to eat their next year's seed corn to avoid starvation this year, and this serves as a telling metaphor for the general time horizon problem. Even if survival is not at stake, when farmers have insecure land tenure rights as the poor often do, there is an incentive to treat land as a short-term resource. Lack of access to credit can have the same effect. Poverty is closely linked to the low status of women, who often have roles as guardians of natural resources, are responsible for (especially marginal) agriculture, and have an ultimate responsibility for fertility. All these factors are very active in SSA today.

Environmental degradation is a major source of economic stagnation and decline; it is worsened by poverty and other social problems, for which government policy can promote improvements.

16. *Poor Advice and Harsh Conditionality from International Agencies*

Some critics have argued that the problems of the SSA region are largely caused by following the irrelevant and possibly damaging advice of the World Bank and other aid agencies, and the ill effects of IMF or World Bank conditions on their structural adjustment lending. Aid agency advice to specialize in commodity exports is one possible source of problems (see point 3). Of course, a country generally only seeks IMF loans if its macroeconomic condition has deteriorated enough to need them, which is generally in part the result of past poor policy choices; so, to some extent, this factor too has some endogenous elements. But certainly adjustment programs have had very harsh effects on the poor in SSA, as they have had in other regions. Development agencies could have done much more to alleviate the desperate plight of the absolutely poor in the SSA region. More must now be done to create basic social safety nets to shield the poor from the harshest effects. At the same time, the evidence is that most governments in the SSA region follow World Bank advice less than those in other regions, such as South America. And, as we have seen, the conditions of absolute poverty that are so prevalent in the region lead to many of SSA's other severe problems, such as environmental degradation and rapid population growth. A renewed emphasis by the development agencies on programs to assist the absolutely poor might do as much as any other strategy to reverse the region's decline.

17. *Inequality*

There is evidence that high inequality is inimical to growth, especially in the post-1980 period. In Africa, inequality started at a low level—because very low incomes were widespread—but, has increased significantly. Where income growth has taken place, much of it has accrued to relatively well-off families. Once again, programs directed at alleviating absolute poverty might have a positive effect on growth as well as social welfare.

18. *Underdeveloped Institutions*

Many institutions playing a role in the regulation of the economic and political spheres, especially at the local level, such as business and citizens' associations that are taken for granted in developed and even middle income countries, are absent or seriously underdeveloped in the SSA region. Many non-governmental organizations are now active in this sphere, but improvements cannot be expected quickly, especially without changes in governance.

The absence of democracy is a related possible factor in explaining poor policy, as we have seen. Certainly many of the authoritarian governments of the region have operated virtually without regard to the popular interest. It should be noted that several East Asian economies, such as South Korea and Taiwan, have been very successful economically despite having authoritarian governments until quite recent democratization. However, some political scientists argue that these East Asian governments were never as dictatorial as many SSA countries are today.

In sum, SSA stagnation has several important root and proximate causes. Some of these factors are out of the control of local governments, but despite some of the adverse conditions Africa continues to face, there are clearly many policy steps that can be taken to improve on the current situation. In general, it is hard to put reliable quantitative values on the relative importance of any one factor in the economic development problems of SSA. To some extent, the sheer number of negative factors and their interactions go a long way to explain the severity of problems in SSA.

In coming years, it will bear watching closely whether the SSA region begins to exhibit some of the policy initiatives and economic changes that characterized the beginning of East Asia's economic rise a generation ago (see Case 3 on economic development in Taiwan). But those concerned with economic development must view the deteriorated economies in SSA with alarm, and treat the predicament of the region as an urgent call to action

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