

**GLOBALISATION, NATIONAL ECONOMIC GOVERNANCE
AND POVERTY ELIMINATION : INSIGHTS
FROM EAST ASIA AND EASTERN EUROPE**

By

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I Background and Objectives

As a component of the Globalisation and Poverty Programme, this project has been concerned with state institutional capacities for economic governance and their consequences for poverty reduction. The research was conducted by Jeffrey Henderson and David Hulme (Principal Investigators) and Richard Phillips (Research Fellow) with the assistance of Laszlo Andor, Eun Mee Kim, Noorul Ainur and Jomo K.S. (country collaborators).

The project's working definition of national economic governance recognised that (particularly in an age of globalisation), there was a need for public management of the domestic economy to be combined with government mediation between the domestic and international economies. Flowing from this, a key working hypothesis was that the possibilities for poverty reduction, and ultimately its elimination, depended not merely on economic growth (though that was assumed to be a *sine qua non*), but in large measure on how effectively governments could perform these tasks.

At a deep level the project was influenced theoretically by work that demonstrated that in certain contexts (such as some of those in East Asia) there had been significant state-market synergies that had had positive consequences for rapid economic growth and development (eg. Wade 1990, Appelbaum and Henderson 1992, Evans 1995). More immediately, it was influenced by research that showed that there was a strong correlation between state institutional capacities (including bureaucratic competence) and the asymmetries of economic growth in the developing world (Evans and Rauch 1999, Rauch and Evans 2000). In effect, the project extended the intellectual logic of this latter work into the realm of poverty and poverty reduction.

Empirically the research compared two East Asian and one Eastern European country: South Korea, Malaysia and Hungary.¹ This choice of 'target cases' reflected the fact that:

- South Korea had been one of the exemplars of rapid economic growth and effective economic governance in the developing world. Prior to the onset of economic crisis in the late 1990s, it appeared to have achieved one of the world's lowest levels of income inequality and had all but eliminated poverty. It had done so, seemingly, without significant recourse to explicit pro-poor policies. Since 1998, however, inequality and poverty had been rising and this had stimulated, for the first time, a debate on social welfare.

¹ Originally it was intended to study The Philippines rather than Malaysia but the aftermath of the September 11, 2002 attack on New York and Washington, which potentially compounded pre-existing problems of personal security, meant that fieldwork in the former was considered dangerous for research personnel.

- Malaysia was the only one of the dynamic economies of East Asia (or, indeed, our target cases) that was multi-ethnic.² It had become the first 'Muslim-majority'³ country to have industrialised and it was one of the few - indeed, perhaps the only - capitalist society to have integrated commitments to poverty elimination and redistribution as central elements in its growth strategy. Furthermore while it was the only federal state among our target cases, it had been dominated by the same ruling coalition since independence in 1957 and the same political administration for twenty years.
- Hungary, of all the former state-socialist societies, had the longest record of economic reform (since 1968), but unlike our other target cases had a 'Western-style' democratic polity (since 1990) which in its case had meant that changes of government had tended to be accompanied by significant institutional and policy reorientations. In spite of this, it seemed to have had a consistently positive record of poverty reduction and equity, which had been achieved, in part, by relatively good levels of welfare provision that had been a legacy of state-socialism.

As a consequence of these attributes, these three countries were not only of significant interest in their own right - from the point of view of economic governance and poverty - but they were potentially cases from which lessons could be drawn for similar countries that were less advanced on the paths to industrialisation, economic growth and reduced levels of poverty.

The objectives of the research were to:

- identify the factors that contributed to effective and, conversely, ineffective economic governance at the national level;
- assess the circumstances under which pro-poor policies - as explicit components of economic governance strategies - were necessary to ensure poverty reduction;
- develop policy recommendations to strengthen economic governance and its role in poverty reduction;
- develop research technologies and communicate skills that could be used for an ongoing monitoring of the relation of economic governance to poverty reduction.

As well be seen below, the first three objectives have been accomplished, but the final one has proven to be unrealistic.

² Thus creating additional problems for state responses to poverty and inequality.

³ We owe this categorisation to Paul Lubeck (University of California at Santa Cruz).

II Methods

In addition to drawing on relevant secondary sources, the project used two techniques for generating primary data: self-administered questionnaires and fieldwork interviews. The object was to generate data on economic governance and poverty, and the changing contexts and realities thereof, for the period 1990-2001/2.⁴

The questionnaire was developed from that used by Evans and Rauch in their work on state capacities and economic growth and included questions on the nature of economic governance and the civil service and on the importance of welfare and poverty issues in the formation and implementation of economic policy (see Appendix I). It was administered electronically to academic and policy experts who had extensive knowledge of the target economies and societies in question. In one case, South Korea, it was administered in translation.

Unfortunately the use of this instrument was not as successful as had been anticipated. In spite of the fact that an honorarium of US\$200 was offered for completion of the questionnaire, out of the 100 questionnaires issued, only 39 were completed (even after three reminders in every case). As a result, only in the Hungarian case did we feel sufficiently confident to be able to draw extensively on data generated in this way.⁵

For this reason, and thus by default as much as design, primary data was generated largely by semi-structured fieldwork interviews. In these we were assisted in South Korea by Eun Mee Kim, in Malaysia by Noorul Ainur and Jomo K.S. and in Hungary by Laszlo Andor.⁶ The interviews were conducted with a total of 96 people, consisting of: senior politicians and former politicians and senior civil servants in the relevant national and provincial economic and welfare ministries and agencies; representatives of NGOs and trade unions, where relevant; local academics and policy advisors with relevant expert knowledge (see Appendix III).⁷

Interviews were based on a common checklist of topics and interviewees were drawn into conversations about these issues as they had arisen and developed in relation to the specificities of the countries in question. They typically lasted from one and a half to two hours and in most cases were recorded.⁸ The conduct of the interviews and data recovery and analysis were effected in accordance with the standard procedures recommended in ethnographic methods texts (eg. Douglas 1976, Agar 1980, Willis 1980, 2000). In contrast to the problems with the questionnaire, the interviews worked exceptionally well. People at the highest levels (central bank governors, senior

⁴ In practice, generating data on this period meant that we had to contextualise developments by situating them in the respective political-economic histories from the early 1970s in the cases of South Korea and Malaysia and the early 1980s in the case of Hungary.

⁵ The proportions were: Hungary – 42 percent (38 issued, 16 completed); South Korea – 38 percent (26 issued, 10 completed); Malaysia – 30 percent (10 issued, 3 completed); The Philippines – 38 percent (26 issued, 10 completed).

⁶ For collaborators' affiliations see Appendix II.

⁷ The total interviews in each case were: Hungary - 31; South Korea - 35; and Malaysia - 30 (see Appendix II for a list of agencies whose representatives were interviewed).

⁸ This was dependent on the preferences of respondents.

ministers, for instance) gave lengthy interviews that often included deep and confidential insights into the *realpolitik* of national economic governance.⁹

Finally, with the assistance of Hossein Jalilian (University of Bradford), econometric analysis was conducted on 26 developing countries to ascertain the general relationship between institutional capacities for economic governance and poverty. This was not part of the original research design, but was added once the research had commenced. It enabled us to provide a broader analytic context in which to locate the experiences of our three target cases.

III Findings

We discuss our findings firstly in regard to the particular case study countries and then in terms of their general significance. Subsequently we highlight the policy implications of our research.

III.i: Hungary

The findings sketched here draw predominantly on the analysis outlined in Henderson et al (2002a), which is attached as Appendix IVi.

1. Poverty in contemporary Hungary, both absolute and relative, is associated predominantly with the Roma (who form about 8 percent of the population) and with residence in the north and east of the country. While the latter is a product of uneven development, exacerbated since 1990 by the collapse of heavy industry in those regions and the concentration of foreign investment in the Budapest area and the west of the country, in the former case it continues to be associated, in part, with institutionalised racism and discrimination.¹⁰
2. With regard to economic governance, the state's ability to address the root causes of poverty has been weakened since the late 1980s by growing institutional incoherence in the economic bureaucracy. While the quality of the civil service has probably declined since the onset of transformation in 1990, bureaucratic competence does not seem to have been a decisive issue with regard to poverty reduction. More important may have been the loss of the formerly significant research capacities of the relevant ministries which were closed under the first post-communist administration (1990-94).
3. Growing institutional incoherence culminated (in the early 1990s) in the abolition of the National Planning Office, the agency that previously had been responsible for strategic and co-ordinated economic policy formation. The emergence of the Prime Minister's Office (since the late 1990s) as a seemingly authoritative and co-ordinated policy agency, may redress the balance¹¹, but it does not appear to be as

⁹ This level of access to senior government and civil service personnel was largely attributable to the personal networks of our collaborators and others who provided assistance, and to the esteem in which they were held in their respective countries.

¹⁰ The Hungarian Roma, however, seem to be subject to less discrimination than their counterparts in the Czech Republic and Slovakia.

¹¹ Given its seemingly renewed interest - under the current Socialist-led government - in economic planning.

concerned with welfare and related issues as was its predecessor. Additionally, the inevitably 'party political' character of the Prime Minister's Office may weaken the degree to which it is institutionalised in the state bureaucracy in general.

4. Growing institutional incoherence and the abolition of the strategic planning function, in the context of the economic crisis of the early and mid 1990s, provided the opportunity for the Ministry of Finance to emerge as the dominant agency of economic governance. As the principal context for the mobilisation of neo-liberal economic ideas, and under pressure initially from the IMF and now the EU, it has developed an overriding concern with low inflation and financial stability, seemingly at the expense of – say – employment creation.¹²
5. The external context in which Hungarian economic governance is now pursued, coupled with internal institutional transformation and the changes in domestic politics that has underpinned it, has meant that there has been a significant decline in 'official' interest in poverty and related issues, compared with ten years ago. Indeed there is now no evidence that poverty and inequality are systematically considered when formulating economic policy. Whether this state of affairs changes under the new (since April 2002), Socialist-led, coalition government, remains to be seen.

IIIii: South Korea

The findings indicated below are drawn predominantly from Henderson et al (2002b) which is attached as Appendix IVii.

1. As we suggested earlier, South Korea was considered to be one of the best examples of how poverty reduction could be effected without recourse to significant anti-poverty policies; in other words, as a reflex of economic growth. While explicit anti-poverty policies did not exist prior to the late 1990s, the indirect effects of controls on the price of basic foodstuffs and on land speculation (and hence on housing rentals) should not be underestimated. Importantly, however, our research has revealed that discrepancies in the way that South Korean governments calculated the extent of poverty suggest that it was never reduced to the degree previously believed. Additionally, while poverty increased dramatically as a result of the economic crisis of the late 1990s and absolute poverty has declined with economic recovery, relative poverty remains higher than at any time since the early 1970s. Furthermore, given that the relevant data in South Korea is not disaggregated by region, it is difficult to tell whether the dynamics of uneven development have been as significant for the poverty record there, as they have in our other target countries.
2. From the mid-1960s, the South Korean government developed a significant institutional capacity for economic governance, with high levels of bureaucratic competence. Together with the substantial research functions associated with each ministry and overseen by the Korean Development Institute (KDI), a key feature of this capacity was the Economic Planning Board (EPB) which had the

¹² In as far as the globalisation of the Hungarian economy has been conducted via international governmental agencies, since the mid 1990s the EU has been a much more significant influence on national economic governance there than has the World Bank or the IMF.

responsibility for strategic economic planning and the overall co-ordination of economic policy. While welfare provision was never a primary concern for economic policy makers, as early as the mid-1970s the EPB had begun to consider the need for unemployment insurance as a complement to economic growth and rising prosperity. By the beginning of the 1990s, with the onset of democratisation and the emergence of NGOs that mobilised around welfare issues, the EPB – in the face of opposition from some government and business interests - successfully included unemployment insurance in the 7th Five-Year Economic Plan.

3. The beginning of President Kim Young Sam's administration in 1993 was associated with an acceleration in the liberalisation of economic policy. Consistent with this, the EPB was dismantled and its primary functions were absorbed into the Ministry of Finance. This settled the long-running rivalry between the EPB and the Ministry, with the latter's fiscal conservatism the beneficiary. With the demise of the EPB, South Korea's economic governance system shifted from a planning to a more directly market (and, indeed, finance)-driven one (the EPB's proposals for unemployment insurance, for instance, were abandoned) and with it the regulatory regime that had underpinned the country's economic stability was weakened. This development became especially problematic with the increase in private banks. It was their relatively unregulated borrowing and lending activities that were the single most important trigger for the economic crisis of the late 1990s and thus were a major contributor to the substantial increases in poverty that came in its wake.
4. Poverty and inequality in the post-crisis period - and the threats to social stability associated with them – have led to the first explicit attempts to develop anti-poverty strategies, including the introduction of social safety nets. However, these have been a personal initiative of President Kim Dae Jung (1998-2002), rather than one that has emerged from the institutions of economic governance. Indeed, without the EPB and its long standing, if muted, interest in welfare issues, it seems that the current – finance-led – system of economic governance is at best uninterested in welfare policies (if not hostile to them). Given that concern with poverty and inequality is not a stable feature of South Korea's economic governance system ¹³, but rather is dependent on the personal interests of the President, it is possible that they will again be relegated to a low priority once the new President takes office in early 2003.

IIIiii: Malaysia

The findings sketched below are drawn predominantly from Henderson et al (2002c), which is attached as Appendix IViii.

1. As indicated earlier, Malaysia has been one of the few developing countries in recent decades (with the exception of state-socialist ones) to have explicitly pursued anti-poverty and redistribution policies as a central part of its development project. Though the incidence of poverty in Malaysia has dramatically declined since the 1970s, however, it is still largely concentrated in the Bumiputera population (Malays and aboriginal minorities) and particularly

¹³ And the fact that there is only a limited state capacity to implement social safety nets and welfare provisions.

among Bumiputeras living in the predominantly rural states (Kelantan, Terengganu, Kedah and Perlis in Peninsular Malaysia and Sabah and Sarawak in Borneo). One of the aboriginal groups, the Orang Asli, is consistently amongst the worst-off in terms of poverty and other socio-economic indices. This remains the case despite the substantial affirmative action and poverty reduction efforts, associated with the New Economic Policy (NEP) and its successor, the New Development Policy (NDP) of which they, together with Malays and other Bumiputera, have been the principal beneficiaries.

2. Notwithstanding the ostensible official concern about poverty over the last thirty years, a number of problematic issues remain. There is still relatively little detailed information about the characteristics of the poor that could help ascertain the reasons for their poverty. Equally, new categories of poor, most notably the urban poor (including legal and illegal migrants) have developed out of the reach of the government's social safety net. Furthermore, a great deal of expenditure on what is officially categorised as poverty eradication, refers to expenditure on rural and agricultural development, much of which does not directly help to improve living conditions or the opportunities for the poor.
3. Malaysia's institutions of economic governance have developed within the insulation provided by an unusual degree of stability in both political leadership and development focus. In Dr Mahathir, Malaysia currently has the longest standing political leadership (over 20 years in office) of any country in the world. Additionally, at least at the level of the federal state, there has been no effective opposition to the ruling coalition - the *Barisan Nasional* - or its leading political party, *UMNO*. Over the last three decades Malaysia's development project has held constant and its institutions for economic planning have maintained their core operational aims of boosting economic growth - largely by relying on foreign investment - while focusing on poverty reduction on the one hand, and social restructuring (and thus income redistribution) on the other.
4. While modelled on those of Singapore and other now industrialised East Asian societies, Malaysia's institutions of economic governance - and the Economic Planning Unit in particular - have never enjoyed the authoritative control over economic policy as have their counterparts elsewhere in the region. Without the substantial and wide-ranging research expertise available to support economic governance in Singapore or South Korea, for instance, Malaysia's economic bureaucracy, in recent years, has become rigidly focused on the implementation of development projects at the expense of any significant capacity for long term strategic planning. This process has been exacerbated by the declining quality and competence of the civil service.
5. Ultimately it is not at all clear that Malaysia's substantial record on poverty reduction has been a product of the anti-poverty and redistribution policies at the heart of the NEP and NDP. Rather, the success of these programmes lies in the fact that they have been responsible for the creation a Malay middle class. Without this, wealth would have remained largely in hands of the country's Chinese population (and in rural areas, the sultans) and as a consequence, Malaysia would probably have been torn-apart by inter-ethnic conflict. It seems more likely that poverty reduction in Malaysia has been associated with rural-

urban migration allowing former peasants to become relatively well-paid workers in the manufacturing industries of the Peninsula's east coast.¹⁴ In this sense, economic governance has had a strong positive impact on poverty in Malaysia, but by means of the effective management and regulation of the economy (including the interface with the international economy¹⁵), rather than by the application of anti-poverty policies per se. The fact that the Malaysian government and its economic bureaucracy has largely resisted (or circumvented) the neo-liberal impulses that have affected other countries, including our other target cases, has been relevant to this.

III.iv General

Beyond our case study countries, the general import of our findings can be summarised as follows.

1. While the dynamics of globalisation involve strong pressures to transform economic policy in neo-liberal directions, it is not inevitable that this will be the outcome. Indeed, our work suggests that national governments continue to have room for manoeuvre; they are often able to continue to exercise choices as to the general tenor of economic and social policy (cf. Hirst and Thompson 1999, Weiss 1999, Henderson 1999), as can be seen from the recent economic histories of South Korea through to 1993 and Malaysia through to the present day. The extent to which governments exercise policy choices that run against the current (Western) mainstream¹⁶, however, depends on historical contingencies (how they manage externally-induced recessions and economic crises, for instance); whether there exists within the government, the economic bureaucracy and more widely, a sceptical relationship to neo-liberal ideas; and whether these ideas are mobilised to inform alternative policy perspectives.
2. While our work suggests that there does seem to be a connection between welfare considerations as a key issue in the formation and implementation of economic policy and inequality in general, there appears to be no necessary connection between anti-poverty policy per se and poverty reduction. Even in the case of Malaysia – where anti-poverty policy has been an explicit and central component of development strategy - it seems that the principal improvements in the poverty record there, have been occasioned by the nature of economic development – specifically the relatively high wage employment opportunities associated with the growth of high technology manufacturing and related services and attendant rural-urban migration – rather than the anti-poverty and redistributive policies themselves.

¹⁴ The continuing uneven development that lies behind rural-urban migration, is the primary source of Islamic opposition to the UMNO-dominated coalition government.

¹⁵ Witness the Government's successful attempts to stabilise the economy - without recourse to IMF assistance - in the wake of the East Asian economic crisis of the late 1990s.

¹⁶ Neo-liberal thinking in its various versions has not always underpinned Western economic policy. On the contrary, Chang (2002) shows that Britain, the USA, Germany and almost all now developed societies, industrialised not on the basis of the free market policies that they and the international agencies now recommend to the developing world, but on the opposite: tariff barriers, support for infant industries, rejection of intellectual property rights etc.

3. If the crux of the matter is not especially the application of anti-poverty policies, what is clearly evident from our work – including our econometric work (Henderson et al 2003) - is that there is, in general, a positive relation between effective and bureaucratically competent economic governance and poverty reduction. This suggests that effective public management of the domestic economy is a *sine qua non* for major in-roads into poverty and that effective state mediation between the domestic and international economies, is also essential to the prospects for significant improvements in the poverty record.
4. Relatedly, our work suggests that effective economic governance in the developing world is enhanced not merely where there is institutional coherence and ‘joined-up’ policy-making, but where the state retains a central agency to plan strategically for the country’s economic development. This issue is important because where a state has no agency to co-ordinate economic and related policy arenas and accord priority to one or more of them as circumstances evolve, that is a state whose economic governance becomes dependent on the vicissitudes of markets and thus on *post hoc* responses to them. It becomes a state that, almost by definition, has difficulty prioritising welfare issues, should it care to do so.
5. State capacities for the formulation and implementation of welfare policies (and thus poverty reduction) can be directly and indirectly affected by bureaucratic practices and functioning. Particularly important factors here are the qualitative relationships (both institutional and individual) between agencies of the social and economic bureaucracy and the nature and degree of executive capture in bureaucratic and legislative operations.
6. One of the consequences of globalisation is a tendency for economic bureaucracies to become increasingly focused on short-term financial and other management concerns. This tends to deflect attention from longer-term strategic thought and action about inequality and poverty which in periods of economic instability is essential for sustaining whatever improvements may have been achieved in earlier periods. It is in this context that there is a crucial role for NGOs and similar organisations of civil society in keeping poverty and inequality firmly on the agenda of national governments.

IV: Policy implications

While some of the policy implications of our work are implicit in the above paragraphs, in this section we render these explicit and elaborate the significance of other issues that arise from our research. It needs to be borne in mind, however, that behind all of the implications we sketch below, there is a general methodological issue that arises from our work that should inform policy formulation in any given situation. This issue emerges from the fact that our research strongly supports the significance of national contexts and histories in the incidence and nature of poverty and the form and 'quality' of economic governance. As a consequence while there can be general 'lines' or trajectories of policy formulation and implementation across national contexts, it is a mistake to assume that there can be universalistic policies that can be applied in 'toolbox' fashion in any given country without regard to that country's historical and cultural formation.

1. Our work shows that effective economic governance at the national and – where relevant – sub-national levels, is essential to significant and certainly to rapid poverty reduction. As extensive corruption in government institutions and the civil service eliminates any serious possibility of effective economic governance¹⁷, this needs to be tackled as an absolute priority for governance reform. It is important to recognise, however, that not all forms of governmental corruption have debilitating consequences for economic governance and thus poverty reduction. In some cases – and South Korea and Malaysia have been cases in point – corruption takes a ‘developmental’ form and thus is a concern principally where it results in widespread cynicism about the state, its financial activities and economic policies, and about employment in the civil service more generally (as seems to have happened, to some extent, in Malaysia and Hungary).¹⁸ In both situations the problem needs to be tackled by (among other things) significant improvements in the remuneration (and fringe benefits) of policy makers and civil servants. This will help to avoid the material need for corrupt practices and will increase the status of public service, thus making it more attractive to some of the most talented people in the country.¹⁹ The possibility of instituting the policy recommendations indicated below in part depend on the ability of a given civil service to recruit from amongst the most talented people available.
2. Our work suggests that for many developing and transitional countries, there needs to be a major re-think on the structural arrangements of the institutions of economic governance. While institutional capacities adequate to the tasks of economic and social policy formulation and implementation are essential, they are not in themselves sufficient to ensure major prospects for poverty reduction. What seems, in addition, to be necessary is a government agency that is able to circumvent possible fragmentation in the economic bureaucracy and has the authority and competence not only to co-ordinate policy across a number of arenas, but to engage in strategic economic planning. While the necessity for financial management with short time horizons is inevitable, particularly under conditions of a relatively unregulated international financial system, it must not be allowed to deflect economic bureaucracies from an overriding long-term concern with strategic planning. Among our case studies, Malaysia - despite its weaknesses²⁰ - has had recent notable successes in this sense. Similarly, while the organised voices of civil society can be an important pressure on governments

¹⁷ As research in The Philippines would probably have shown had we been able to conduct it as originally planned. See Emmanuel Buendia’s contribution to the project workshop (Buendia 2002).

¹⁸ Henderson (1999: 331-332) distinguishes between ‘developmental’ corruption which occurs when ‘political elites and regimes ...favour particular firms and business interests as a means simultaneously to *both* personal financial gain *and* industrialisation and development’ and ‘acquisitive’ corruption which occurs when political elites etc. are concerned with ‘financial gain [as their] *primary* interest and development [is] a *secondary* or indeed unintended consequence.’

¹⁹ Singapore, on this point, provides the best model for developing and transitional countries. Since the late 1960s and until relatively recently, the Singapore Government has kept civil service salaries at a twenty percent premium above their private sector equivalents (Castells et al 1990: Part III).

²⁰ Such as the belief that the currency controls instituted in the aftermath of the crisis of 1997-98 were in part designed to protect the business interests of political favourites.

regarding welfare reform (as in the recent case of South Korea), they are not an alternative to strategic thinking about economic and social issues in government bureaucracies.

3. Co-ordinating policy and engaging in strategic economic planning cannot be done effectively unless the relevant agency and cognate institutions have substantial research capacities on which to draw. Our work suggests that strengthening those capacities (in some cases, perhaps, building them from scratch) must be an important policy objective.
4. Similarly, to counterbalance short-term managerial orientations (evident in our case studies and in addition to financial concerns), a capacity-building effort – aimed at sustaining a policy-making forum for medium and long term social planning. - needs to be implemented. Such a policy-making forum should be within the core of the bureaucracy (preferably the economic bureaucracy) and should be supported by an effective system of social dialogue with relevant interests in civil society.
5. Additionally, given that the methods of analysis available to macro-economic managers do not systematically include poverty-related concerns, special attention needs to be given to improving and prioritising the operational relationships between the social and economic agencies of government.
6. As competent governance of the domestic economy coupled with an effective mediation between the domestic and international economies seems to be the key to poverty reduction, then given the growth that is likely to flow from these, anti-poverty policies per se, seem to be less important. What is important, however, are adequate social safety nets for times of recession and, crucially, investment in education and in public health. Over and above these there is a need to think long term about social security systems, particularly given ageing populations and the widespread disintegration of the social bases for family support. Additionally, given the inevitability of uneven economic development, policies designed to redistribute income and resources intra-nationally, are essential.²¹
7. Many of the foregoing arguments work against the grain of much current mainstream thinking, informed as it is by ideas drawn from the neo-liberal lexicon. The fundamental problem with such ideas, when it comes to economic development and poverty reduction, is that they work to intellectually disable policy makers. Governments in the developing world should be encouraged and supported to take, at the very least, a pragmatic, if not a sceptical view of policy prescriptions based on neo-liberal ideas. Alongside the help to develop their institutional capacities, many of them need help to develop their intellectual capacities for economic governance. At a minimum this implies support to develop the vision and confidence to resist the strong implications of neo-liberalism for organising and guiding economic bureaucracies, and as part of that, the notion that strategic economic planning is undesirable.

²¹ For a general account of the reasons why this is so, see Scott (2002).

V: Outputs

Academic

Three working papers - one each on Hungary, South Korea and Malaysia - have been published and are referenced as Henderson et al (2002a, 2002b and 2002c). A fourth working paper, on the general relation of economic governance to poverty, should be published shortly and is referenced as Henderson et al (2003). In addition, an article based on one of these working papers (Henderson et al 2002a) is being revised for journal publication and a second (based on Henderson et al 2003) is being prepared for journal publication. The principal academic output from the project will be a book, provisionally entitled *Governing Growth and Inequality*, and it is anticipated that an arrangement with a publisher will be secured in the next few months.

Policy

A dissemination workshop for 'opinion formers' from our target countries was held in Manchester in June 2002 and a number of Policy Briefs, along the lines of those published by the Institute of Development Studies, will be available in the next few months.

Other Media

It is anticipated that at least one article summarising the policy significance of our work will appear in a major British newspaper and attempts will be made to have it reprinted in newspapers in parts of the developing world. In addition we are exploring the possibility of working with a TV production company on a documentary that draws, if not on our project, on one or more of the others funded through the Globalisation Programme.

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