

Making globalisation work for the poor: the 2000 White Paper reconsidered

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Argument of the White Paper

Implicit in its title

- Definition of globalisation
- Opportunity to reduce poverty
- Making poor people more productive
- Necessary supporting actions
- Outside poor countries
 - Within poor countries

Openness and poverty reduction: regional statistics

	Sub-S Africa	South Asia	East Asia	Land-ab. OECD
Poverty (% of population below \$1/day at PPP)				
Level in 2000	49.0	31.9	14.5	..
Change 1990-2000	1.6	-9.6	-14.9	..
Trade: exports + imports/GDP (at PPP, %) 1995	17	5	29	24
Policy: percentage of years OPEN 1965-90	3	1	33	99
Geography: % of people within 100 km of coast	21	41	55	69
Infrastructure: phone lines per 1000 adults 1995	26	19	63	793

Openness and growth: econometric controversy

- Mixed evidence from growth regressions
- Shift of dependent variable: income levels
- Causation problem → instrumental variables
- Link from trade to income level established
- Importance queried by work on institutions
- Growth ← investment ← 'property rights'
 - Probably overstated, but calls for revision

Openness and growth: historical controversy

Mis-read East Asian and OECD experience?

- Extensive protection of infant industries

Disagreement about the past

- Selection bias? Chang and Williamson

Disagreement about the present and future

- Africa and South Asia versus East Asia
- Choice of instruments and of sectors

Openness and inequality: controversy and theory

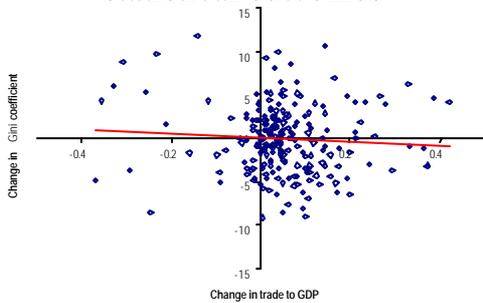
Debates about rising intra-country inequality

- Pattern, and influence of openness

Theory suggests that 'it all depends'

- On national factor endowments
- On biases of technology transfer
- On distribution of factor ownership
- On how well markets work

Openness and inequality: statistical outcomes



Openness and poverty reduction: what the statistics conceal

Variation among poor households

- Gainers and losers from trade

Variation within poor households

- Gender effects of increased trade

Variation over time: poverty dynamics

- Vulnerability and insecurity
- Appropriate policy responses?

Conclusions: argument of the White Paper reconsidered

Basically robust, but could be improved

Long-term determinants of prosperity

- Relatively less emphasis on openness
- More emphasis on incentives to invest

Shorter-term effects of openness on poverty

- Even more complex than WP suggested
- Social protection remains a weak point