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Development failure, or the persistence of poverty in poor countries (an overview)

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Outline

This seminar describes a research program that studies the persistence of poverty in poor countries. Although bilateral donors and international institutions, including in particular the World Bank and also the IMF, have over the course of decades provided considerable financial aid and technical assistance to poor countries, there has more often been development failure rather than development success. The development failures have been attributed to inadequacies of donor institutions or insufficient aid, or to considerations beyond the control of poor countries such as climate, geography, and natural resources, and to “governance and institutions”, or corruption. This seminar will be based on three recently published papers and two papers in progress that seek to add to our understanding of why poverty has persisted in poor countries, despite efforts to alleviate or end poverty.

1. Arye L. Hillman, Poverty, inequality, and unethical behavior of the strong. Working paper WP-00187, November 2000, International Monetary Fund, Washington DC. Revised and published as: Nietzschean development failures, Public Choice, June 2004, 119, 263-280.
2. Emanuele Baldacci, Arye L. Hillman, Naoko Kojo, 2003. Growth, governance, and fiscal-policy transmission channels in low-income countries. Working paper no 03/237, December 2003, International Monetary Fund, Washington D.C.

Published in: European Journal of Political Economy, September 2004, 20, 517-549.

Reprinted in: Helping Countries Develop: The Role of Fiscal Policy, Sanjeev Gupta, Benedict Clements, and Gabriela Inchauste, editors, International Monetary Fund, Washington DC, 2004, 67-104.
3. Arye L. Hillman and Eva Jenkner, User payments for basic education in low-income countries. Working paper no 02/182, November 2002, International Monetary Fund, Washington DC.

Published in: Helping Countries Develop: The Role of Fiscal Policy, Sanjeev Gupta, Benedict Clements, and Gabriela Inchauste, editors, International Monetary Fund, Washington DC, 2004.

Republished as: How to pay for basic education?: Poor children in poor countries, Economic Issues 33, 2004, International Monetary Fund, Washington DC.

4. Arye Hillman and Miriam Krausz, Development failure, corruption, and the financial system. Working paper, revised January 2005
5. Arye Hillman and Miriam Krausz, The hostage problem in economic development. In progress.

The first paper suggests going beyond the conception of corruption to consider incentives associated with Nietzschean behavior in poor countries.

The second paper reports on an empirical study of the consequences of budgetary contraction in very poor countries and seeks to explain why the marginal product of resources used by government appears negative in poor countries.

The third paper investigates why poor parents in poor countries often self-finance basic education through user prices.

The fourth paper considers the role of corruption in financial mediation.

The fifth paper addresses the hostage problem in economic development, which is reflected in the incentives that ruling elites have in poor countries to sustain poverty so as to sustain aid flows.

I also consider the basis for views that excuse behavior of rulers and governments that sustain poverty in poor countries.