Poverty and Policy in the Developing World: Before and After the Pandemic

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INTRODUCTION

Poverty reduction is the overriding objective of economic development, widely recognized nationally and internationally. The World Bank defines its mission in terms of ending extreme poverty (along with shared prosperity), as does the Asian Development Bank (ADB) and other international development agencies. Recent international development compacts sponsored by the United nations—such as the Millennium Development Goals and the Sustainable Development Goals—assign poverty reduction the pride of place in their list of development goals, along with other correlates of poverty, such as infant and maternal mortality, illiteracy, lack of access to sanitation, water, and electricity. Those goals, which have been signed by the membership of the United Nations, are now part of their development plans and programs.

The term poverty has been defined in various ways. The following provides a quick review of the various concepts used in development discourse. In general, a person is considered poor if his/her income or consumption falls short being adequate. Adequacy is defined in relation to the poverty line, a critical level of income or consumption, below which one is considered poor by society. The poverty line as a critical threshold of income (or consumption) depends on the norms of a particular society. The poverty-line income (or consumption) usually includes both food and non-food items, the basic building block being the food component.

The poverty line is defined in either absolute or relative terms. When poverty is defined in relation to an absolute poverty line, it is called absolute poverty; in contrast, when poverty is defined in relation to a relative poverty line, it is called relative poverty. The latter can be defined in relation to the income (or consumption) distribution parameters of the society, such as the mean, the median, mode, or various moments of distribution etc. The definition of relative poverty, as widely used in Western Europe, sets the poverty line at a constant proportion of the current mean (or median) income.

Depending on national poverty standards, poverty lines vary across countries. For example, although India and Bangladesh are neighboring countries, they have different poverty lines, the Bangladesh line being higher than that of India. Similarly, Indonesia and Philippines have different poverty lines, with the Philippines being higher than Indonesia. In its 1990 World Development Report, the World Bank devised an international poverty line to measure global poverty, a common international threshold that is applied across all countries. At the time, the World Bank set the international poverty line at roughly $1 a day per person in terms of the purchasing power parity (PPP) dollars. The World Bank updates the international poverty line periodically to reflect changes in the cost of living for basic food, clothing, and shelter around the world. After a new round and larger volume of internationally comparable prices were collected in 2005, the international poverty line was set at $1.25 per person per day (in PPP terms). In 2015, the threshold was further updated to the current $1.90 per person per day.[1]

The organization of the chapter is as follows: Section 2 briefly describes the state of poverty across the world—how the incidence of poverty in various regions and countries in the world has progressed. Section 3 reviews the effectiveness of various policies. The final section provides some concluding remarks.

THE STATE OF GLOBAL POVERTY

Prior to the COVID-19 pandemic, global poverty was on the decline. In 1990, more than a third of people in the world—about 2 billion--lived in extreme poverty, subsisting on $1.90 a day or less. In 2015, the most recent year with robust data, extreme poverty reached 10 percent, about 736 million, which was the lowest level in recorded history. In the past three decades, more than one billion people moved out of extreme poverty, and almost half the countries reduced extreme poverty to less than 3 percent (See, Table 1).

Table 1: Poverty at the International Poverty Line of $1.90/day (in 2011 PPP)

Region	*Headcount ratio (%)*		*No. poor (millions)*	
	1990	*2015*	1990	*2015*
East Asia and Pacific	61.6	2.3	987.1	47.2
Europe and Central Asia	2.9	1.5	13.3	7.1
Latin America and the Caribbean	14.2	4.1	62.6	25.9
Middle East and North Africa	6.2	5.0	14.2	18.6
South Asia	47.3	12.4	535.9	216.4
Sub-Saharan Africa	54.9	41.1	277.5	413.3
World Total	35.9	**10.0**	1894.8	**735.9**

Source: (World Bank, 2018)

However, not all regions of the world experienced a similar reduction in poverty reduction. In 1990, more than 60 percent of the population of East Asia and the Pacific was under the poverty line. With accelerating growth, those countries achieved a dramatic reduction in poverty by 2015, when less than 3 percent of the population was under classified as poor. South Asia also experienced a significant reduction in poverty. In 1990, almost 50 percent of its population experienced poverty, which declined to little more than 12 percent in 2015. The two countries in the world that moved most people out of poverty were China and India, the former accounting for more than 730 million while latter by more than 1 70 million.

The rate of poverty reduction was much slower in Sub-Saharan Africa, where it declined from about 54 percent in 1991 to 41 percent in 2015—a much more sluggish rate, largely reflecting the slower rate of economic growth in the region. In contrast with other regions, the absolute size of the population suffering from poverty increased from about 277 million in 1990 to 413 million in 2015.

In 2015, Sub-Saharan Africa, which was home to 27 of the world's 28 poorest countries, had more extremely poor people than in the rest of the world combined. Nigeria was expected to surpass India as the country with the most people living in extreme poverty. While the average poverty rate for other regions was below 13% as of 2015, it stood at about 41% in Sub-Saharan Africa. According to the World Bank (2018), factors behind the higher incidence of poverty in Africa include slower growth, ethnic conflicts, weak institutions and finally, a lack of success in translating growth into poverty reduction.

How is then global poverty shaping up? What is now clear is that the COVID-19 pandemic—in conjunction with the precipitous fall in oil prices—has had a disproportionately unfavorable impact on the poor of many developing countries — and the adverse impact is still unfolding. They suffered from job losses, fall in remittances, rising consumer prices, and disruptions of services relating to education and health care. The World Bank estimates that national lockdowns and the global economic collapse could push 40-60 million into extreme poverty, eliminating nearly all the gains made since 2015 (World Bank, 2020). The global extreme poverty rate could rise by 0.3 to 0.7 percentage points to around 9 per cent in 2020. The forecasts from the United Nations are even more dire, suggesting that the pandemic could push as many as 580 million people around the world into poverty, adding to the 730 million people who were already in poverty. (Sumner et al., 2020).

ADDRESSING POVERTY

To fix ideas, assume that the income of a person depends on ownership of assets (or access to such assets), the returns (or productivity) of those assets, and the volatility of those returns (World Bank, 2000/2001). Those assets can be of several types, such as human capital, land ownership, financial assets (such as savings and access to credit), and social assets such as social capital (networks of contacts and reciprocal obligations that can be drawn upon in times of need) (see, (Quibria, 2003). The returns to those assets depend, among others, on public policy and the strategy of development pursued by a country. Finally, the volatility of returns results stems from market fluctuations, weather conditions and natural disasters, political turbulence, health epidemic, etc.

The above discussion on causation suggests that there are two principal ways to address poverty. One is to increase the returns to assets of the poor—particularly, labor-- by enabling *growth* that creates improved economic opportunities for the poor. Such a pattern of growth, called inclusive growth,[2] can be fostered by enhancing the efficiency of the domestic markets as well as exploiting opportunities available in the global economy. The other route to poverty reduction is by distribution, i.e., distributing *assets* (or improving access to assets) to the poor so that they can participate more actively in the productive process. For the vast majority of the poor, who are mostly bereft of capital—physical or financial—or land, the most important asset is labor power. However, the success distributive policies vary between societies as well as at different periods of histories.

Poverty Reduction through Inclusive Growth

As the history of post-War economic development suggests, the most effective antidote to poverty is sustained economic growth.[3] Economic growth results fundamentally from accumulation of resources— both physical and human capital—and technical progress (which emerges from improved management of work and adoption of new or nontraditional technologies).[4] Those factors create employment opportunities and raise worker productivity and, consequently, workers' earnings (Pernia & Quibria, 1999). Moreover, economic growth augments the pool of available public and private resources that can be used to improve institutions and social services, such as education and health care, which are all critically important for the functioning of economic systems and increasing worker productivity.

The relationship between growth and poverty is mediated through income inequality. The extent of poverty in a country is determined by economic growth, which enhances average income within a society, and the distribution of that income among members of society (Quibria, 2002). The extent to which economic growth translates into poverty reduction depends upon what happens to economic inequality.[5] If there is no change in economic inequality, increments in income accruing to different segments of the population happen in exactly the same proportion as the initial income distribution. Thus, if initial distribution is skewed, with a much larger proportion of income accruing to the rich, the resultant distribution follows the exact same pattern. However, if economic growth is associated with a reduction in economic inequality, it would translate into a more than proportionate reduction in poverty. Moreover, if reduced inequality stimulates growth, that could lead to further future reductions in poverty. However, if higher rates of economic growth are associated with an increase in economic inequality, which is often the case, the rate of poverty reduction would be less than proportionate.

There is a considerable body of empirical literature that explored the relationship between growth and poverty (see Quibria 2002 for a review of the literature). The literature follows two strands, the first uses a concept of absolute poverty. Some of those studies utilized a global dataset, while others were limited to Latin American countries. The results were different. The studies that were limited to Latin American countries found poverty elasticity around unity (i.e., one percentage change in growth was accompanied by one percentage change in poverty), while the others found the value of poverty elasticity exceeded unity. The second strand of the literature relies on a relative concept of poverty, defining the poor as those who were in the first quintile of the income distribution. Those studies used the same dataset and arrived at similar empirical results that suggested the poor gain proportionately from overall income growth. Alternatively, it suggests that income distribution, as far as the lowest quantile is concerned, remains invariant with economic growth. It may be noted that those results do not represent a universal generalization. In short, the principal lever of poverty reduction globally seems to have been growth.

Outward-orientation and Growth

According to a high-profile World Bank study (Commission on Growth and Development, 2008), only 13 countries achieved a growth rate of 7 percent and over, sustained over 25 years, in the latter half of the last century. The study further suggested that this astounding economic feat was possible only because the world economy was more open and integrated than ever. The outward orientation of the East Asian miracle economies has also been corroborated by a number of comparative studies of those economies (see, for example, Quibria, 2002).Subsequent to the East Asian miracle, China, India and Vietnam have mimicked a similar strategy of outward orientation with varying degrees of success.

How does an outward-oriented strategy help growth and poverty reduction? First, note that the growth of an autarchic economy is limited by the elasticities of demand for its products. But when a country can successfully access the global economy, it has a deep and elastic market for its exports. While division of labor within a country is limited by the extent of the market, integration with the global economy affords specialization in new exports and improvements in productivity. Second, as trade theory suggests, developing countries, with surplus labor, have a comparative advantage in labor-intensive production. Specialization and exports of labor-intensive products lead to increased employment and rise in wages; this in turn contributes to a reduction in poverty. In short, outward orientation helps a country to overcome the limitations of domestic markets and exploit new economic opportunities in international markets. Moreover, trade openness creates competitive pressures for the domestic economy, thereby eliminating various domestic distortions and inefficiencies. Finally, trade openness facilitates access to new technology and helps upgrade the industrial structure. The East Asian experience suggests that export orientation was a critical factor in accelerating the process of skill formation. Export orientation increased the pressure for learning for two reasons: the need to move toward modern sophisticated technology to remain competitive, and the ability to respond to the requirements of complex contracts from Western countries.

Another aspect of openness relates to foreign investment, particularly foreign technology. Foreign direct investment (FDI) brings new production techniques, quality control, and access to external markets. This is corroborated by the experiences of high-performing East-Asian miracle economies, in which the production network of FDI played a positive role in expanding exports. In addition, FDI created competitive pressure on local firms to acquire new skills; it also created a number of spillover effects in the labor market, such as the emergence of specialized firms to provide such services as accounting, from which both domestic and foreign companies could benefited. However, the most important spillover effect was the demonstration effect on domestic firms regarding feasibility in terms of production and quality (Quibria, 2002).[6]

Inward Orientation and Agriculture

Not all countries can successfully pursue an outward-oriented manufacturing-led growth strategy.[7] Some economies have pursued a more inward-oriented strategy, which relies predominantly on domestic demand, particularly agriculture, as its impetus of growth. However, a combination of inadequate domestic demand and inadequate availability of foreign exchange can limit the success of an inward-oriented strategy.

As the majority of the poor people in developing countries are based in the rural economy, it is generally assumed that growth in agriculture is likely to result in a significant reduction in poverty. However, the impact of agricultural growth has varied across regions of the world. While growth in agriculture was most effective for poverty reduction in Sub-Saharan Africa and South Asia, it was less effective in East Asia, where, with its outward orientation, industry was the most effective vehicle for poverty reduction (Hasan & Quibria, 2004).

Domestic-demand led strategies, when accompanied by adequate public investment in physical and social infrastructure, can spur business investment and increase the size and efficiency of domestic producers (Hasan & Quibria, 2004). This strategy can also avoid the risks and dislocations associated with abrupt opening up of economies to fierce foreign competition. Nevertheless, growth strategies that rely entirely on domestic demand eventually hit the wall of diminishing returns as the home market is usually too small to sustain high rates of growth for long and does not give an economy the same degree of freedom to specialize in accordance with its comparative advantage.

Domestic Liberalization

Growth entails a structural transformation of the economy—from agriculture to manufacturing, from rural to urban. This transformation is the result of competitive pressure. Governments committed to growth must therefore liberalize product markets, allowing new, more productive firms to enter and obsolete firms to exit.

They must also create space to maneuver in the labor market so that new industries can quickly create jobs and workers can move freely to fill them. The history of development suggests that these reforms are easier advocated than enacted (as the recent Indian experience corroborates). If comprehensive reform of labor laws is politically impossible, policy makers should seek pragmatic compromise that fulfills the aspirations of jobseekers and is not blocked by politically influential jobholders.

As a dynamic economy goes through a process of "creative destruction", it is of course cold comfort to those who are displaced in the process. Policy makers should resist protectionist impulses to shield particular industries or jobs; they should endeavor to defend people, by offering displaced workers education and training, assistance that makes it easy for them to find new employment. In addition, governments should establish social safety nets to ensure an uninterrupted access to basic services to people that are between job. These policies are both ethically grounded and economically sound. Without such safety net policies, popular support for a growth strategy will quickly erode— and the impetus for employment creation and poverty reduction will cease.

Public Investments in Physical infrastructure

Regardless of a country's development strategy, there is an important role for public investments in physical infrastructure—such as ports, roads, highways, electricity and telecommunications. Without adequate investments in physical infrastructure such as the factory-to-port transport networks, efficient ports and an uninterrupted supply of electricity, it is difficult to pursue a successful strategy of outward-oriented growth. Sufficient investments are required even to pursue a successful domestic demand-based strategy. One important example of such a strategy is agriculture-led development, which entails traversable roads connecting farmgate to markets, electricity for irrigation and rural non-farm enterprises, and the existence of a telecommunication network providing market information to the farmers and rural enterprises. These public investments infrastructure do not necessarily crowd-out private investments; rather, they often attract, or crowd-in, new private investments. Investments in public infrastructure raise the returns to existing businesses and spur the growth of new enterprises, thereby creating employment and contributing to poverty reduction.

Distributive Policies to Empower the Poor

In many instances, growth is clearly not sufficient to reduce poverty. It requires some distributive policies that involve redistribution of income, assets, or improving access to services. However, managing the politics of redistribution much easier if in a growing economy. When an economy grows, the proceeds of growth can be redistributed without anyone's standard of living being adversely affected.

Public Investment in Human Capital

Investments in human capital relate to investments in education, health and nutrition, those investments that increase human productivity and help to improve the economic opportunities for the poor.

The existing literature suggests that investments in education have a positive effect on individual earnings. Studies also indicate that those with have a higher level of education earn more than those with less education, even though social returns to education are highest for primary education. A high-profile World Bank Study (World Bank, 1993) went so far as to argue that primary education was the most important single factor of growth of East Asian miracle economies.

Education has effects other than private earnings. It changes workers' attitudes and perspectives; those with education are more favorably disposed to innovation and adaptable to new ways of doing things. In poorer countries more educated farmers are found to be more innovative and enterprising as they adopt new seed and fertilizer more quickly than those that are not educated. Other positive effects of education include many beneficial externalities, such as better educated mothers being more likely to have fewer and healthier children and more efficient in home-production.

Similarly, health and nutrition have a positive impact on the productive efficiency of the poor. Some studies suggest that the causation runs from education to nutrition, health and family planning, and then to productivity, as education improves understanding of the need for hygiene, proper nutrition and health care. At the same time, better nutrition and health also enhances the capacity to learn. Because of the interactive links among education, nutrition, health and family planning, the net effects on productivity and poverty reduction are difficult to isolate empirically What is important is to understand that there is a virtuous cycle from investments in these areas. Similarly, the lack of investment can lead to a vicious cycle that can stem from hunger, malnutrition and poverty. For example, if children are undernourished in the womb or in infancy, their cognitive development can be permanently impaired, leading to a cycle of inter-generational poverty.

Given the critical importance of human capital investment for poverty reduction, access of the poor to those services needs to be improved. This can be achieved through better public investment and pricing policies. Public investment policy can be improved by setting priorities better both within and across sectors, directing subsidized public investments into those sectors and subsectors with the highest returns and are primarily utilized by the poor, such as basic education, primary health care and family planning. Education resources need to be mobilized in a non-distortionary manner, management and internal efficiency improved and targeting to the poor sharpened.

Pricing policy that differentiates prices by type of service and type of consumer is considered to be generally more efficient and equitable than low and uniform price policies. Prices should be raised for higher-level services, such as tertiary education and specialized curative health care, which are primarily consumed by the nonpoor. The savings should be directed toward more or better basic services, such as primary education and healthcare, which benefit the poor.

Land Reform

Land reform—either in the form of redistribution of land from landlord to the landless farmers or tenurial reform in favor of the tenants—is intended to decrease poverty and increase output. As the history of land reform suggests, tenancy reform that often contravenes market forces has in most cases been largely unsuccessful, while redistributive land reform programs, which were often based on land expropriation with little or no compensation, are successful when they are accompanied by an assistance program of credit and extension services (Rashid & Quibria, 1995). The examples cited of such successful reforms include Japan, Korea and Taiwan, where they had a salutary effect on growth and equity. However, land reform that is based on marker-based compensation has limited redistributive value.

Land reform is essentially a political process. Its success hinges on the government’s ability to manage the politics associated with it . A recent example of failed land reform is Zimbabwe, where the government encouraged the landless workers to seize large farms owned by white farmers. With uncertainty hanging over the issue of the security of property rights as well as the lack of adequate resources of the new owners, this land reform experiment resulted in the precipitous decline in the farm output, collapse of the economy and a large increase in poverty.

Microcredit

The poor people usually have little or no access to financial services—such as credit or insurance—which limits their escape route from poverty. The introduction of microcredit to the poor by Professor Mohammad Yunus in Bangladesh in the 1970s was intended to address the poverty of the poorest of the poor. Microcredit programs are now available in many countries across the world.

There are wildly divergent views about the effectiveness of microcredit in alleviating poverty. There are those who argue that microcredit had a significant role in pulling people out of poverty while there are others who argue that microcredit has had little or no positive effect. Both views seem to find some corroboration in case studies. There are many cases of success with credit, where borrowers took out additional loans and continued to do so year after year, built flourishing small businesses, educated children and improved nutrition. There are other cases that suggest that microcredit did help little in increasing households’ income and, in some cases, even led to a debt trap.

Econometric studies in this regard are equally ambiguous. Some studies have found a positive impact of microcredit on poverty. This literature—which is marked by sniping and counter-sniping by authors regarding the soundness of methodology or adequacy of data—has turned the matter into an obtuse insider debate and yielded little clarity (Quibria, 2012).

In recent years, randomized control trials (RCTs) have become *de riguer* of empirical economic research. They have also been applied to study microcredit as a tool of poverty alleviation. A set of RCT studies, which were summarized in a recent article (Banerjee, et al., 2015), found little evidence of “transformative” effects of microcredit on poverty. However, given the diversity of the contexts, design of studies and the quality of underlying data, one does not know how to generalize and interpret the findings.

In the contentious area of microcredit, there are few agreements—one being the role microcredit in smoothing income and consumption. In rural areas, poor households face many types of economic contingencies including adverse health shocks and weather shocks. Here, microcredit can not only help to smooth seasonal consumption, but also avert distress sales of livestock and other assets, thereby smoothing longer-term income. This is no trivial help for a poor family, for whom a sudden dip in income can lead to a downward spiral into destitution. Various criticisms notwithstanding, microcredit certainly plays a valuable function in the lives of poor people, a fact that is reflected in the briskly increasing demand for microcredit over the years over the world.

Income Transfers, Social SafetyNet and Workfare

Some people are permanently poor, and they require continuous income transfers to stay above water. In developing countries, these income transfers often can take the form of public food distribution programs. Unless these programs are well targeted toward the poor, they can, sooner or later, turn into a fiscal burden for the government. A variant of cash-transfer programs, which has gained a good deal of popularity since the 1990s, is the conditional cash-transfer programs. These transfers are contingent on recipients' actions with respect to schooling, nutrition, vaccinations etc. They seek to break the cycle of inter-generational poverty through human capital development.

Social safety nets are similar to income transfers but are provided only to the poor whose poverty is transitory. Workfare programs are a particular type of income transfer system where the poor are required to work as a condition of receiving the welfare payment. A sub-class of workfare system is Employment Guarantee Schemes (EGSs) in South Asia, intended to guarantee employment to anyone who wants to work at a pre-determined (typically lower) wage rate. In Bangladesh, such social insurance programs include the Food-for-work and the rural maintenance program, wherein wages are paid in kind (food) at a below market rate. Deployed during slack seasons, this type of program is used to create and maintain rural physical infrastructure such as roads, river embankments, and irrigation channels. Though largely short-term palliative, such welfare programs have played an important role in creating employment and containing hunger in slack seasons in South Asia.

CONCLUDING REMARKS

The pandemic has upended the progress the developing world achieved in poverty reduction in the last thirty years or so. Many millions have slipped into the abyss of poverty and the ranks of the poor are still swelling. The big question now is once the pandemic is over--or it is brought under control--can the developing world rekindle the process of poverty reduction to rescue the millions that are now trapped in poverty?

There are reasons to believe that the process is likely to be slow. The dual engine of poverty reduction—both growth and distributive measures (the latter often being linked to robust growth — is likely to operate much slowly. A number of factors seem to be at play. First, in recent years, the international trading environment has become increasingly more protectionist. Rather than promoting open multilateral trading arrangements under WTO, rich and powerful countries are increasingly pursuing regional trading arrangements, developments that have fragmented the global trading system. An unfortunate consequence of this is that in recent years, the rate of growth of exports from developing countries had been on the decline, causing a slowdown in the rates of growth of income and employment.

Second, since the 1990s, world trade has been increasingly characterized by global value chains (GVC) and a large of the global trade is comprised of intermediate goods—parts and components. This process has, however, experienced a slowdown in very recent year due to such technological advances as robotics and automation, which helped to draw production closer to the consumer; the net result is however is a reduction in the demand for labor at home and abroad. Also germane is the fact that the current brewing trade conflicts among large countries, such as the US and China, can lead to a further retrenchment or a segmentation of GVCs. The process has received a further jolt with the arrival of the pandemic, which hit home the relative merit of just-in-time strategy (associated with GVC) versus just-in-place strategy. The US and Europe are actively pursuing a policy of onshoring of supply chains, particularly of vital goods and supplies —such as food, medicine etc.-- from abroad.

Third, over the years, many labor-surplus economies in Asia and Africa benefitted enormously from labor exports to the oil-producing Middle Eastern countries. This has provided these countries a safety valve to reduce the rising pressure of unemployment and to help generate sizable remittance income. However, the situation has been changing fast in recent years. The demand for expatriate labor in the Middle Eastern countries has been shrinking rapidly because of the precipitous decline in oil prices—which may not recover in the near future (Economist, 2020)—and the Arabization policy (to substitute foreign labor with domestic labor).

Finally, some countries such as the United States are now pursuing an active policy to bring back investment form foreign lands to the homeland, a policy which has been facilitated by the growing capabilities of automation. If successful, this would thwart one of the most reliable strategies of poor countries to attract outside investment by offering low wages to compensate for low productivity and skill levels.

In short, the above suggests that in the post-pandemic era, the tempo of poverty reduction will become slower as past successful strategies of development—particularly, the model of outward-oriented growth—become less effective, and as the feasibility of successful distributive policies become more circumscribed with falling growth.

NOTES

1. Two more poverty lines, which reflect the costs of a higher bundle of basic needs in more developed countries, are also used internationally: US$3.20 and US$5.50 per person per day. The World Bank now refers to the poverty associated with the lowest poverty line ($1.90 per person per day) as extreme poverty (World Bank, 2018).

2. Although the term inclusive growth has been in use since at least 2000 (ADB, 2000), there is yet to emerge an agreed-upon definition of the concept. There are at least two different usages in the literature —first, an absolute, more expansive concept that refers to any pattern of growth that is accompanied by poverty reduction, irrespective of how much of the growth accrues to the poor and how much to the rich ; second , a relative, more

restrictive concept that refers to a pattern of growth when the incomes of the poor grow faster than the incomes of the rich.

3. According to Dani Rodrik, "Historically nothing has worked better than economic growth in enabling societies to improve the life chances of their members, including those at the very bottom. If you look at a map of the world today and ask where there is the greatest incidence of poverty, the simplest answer is: where there has been the least amount of growth since the onset of modern economic growth around the middle of the eighteenth century." (Rodrik, 2007)

4. An exception would be technologies that limit employment by substituting capital by labor. The new technologies that promote automation and robotics would fall under this category.

5. A common measure of income inequality is the Gini coefficient, which spans between (0,1). It is 0 when there is perfect equality in the society—i.e., everyone receives the identical level of income in a society; It is 100 when there is perfect inequality in the society—i.e., all incomes go to one person.

6. The approach to foreign investments did vary among these countries. While Hong Kong, China; Malaysia; and Singapore, and later in Indonesia and Thailand embraced FDI with open arms, Korea and Taiwan were not as enthusiastic; however, the latter countries encouraged the acquisition of foreign technology through licenses and other means.

7. The strategy of economic openness may fail unless complemented by other policies, such as macroeconomic stability, investments in physical and social infrastructure, labor market flexibility, and good economic governance. For East Asian Miracle economies, these complementary policies helped to create a domestic economic environment that encouraged productive investment and production rather than diversion into socially unproductive activities, such as rent seeking, corruption, and theft, Finally, contrary to a widely held belief, industrial policy was certainly not a common feature of all the miracle economies. The countries that practiced industrial policy succeeded in some sectors but not in others. The overall impact of industrial policy on growth remains conclusively inconclusive (Quibria, 2002)

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