

Human Development Report Office

OCCASIONAL PAPER

Background paper for HDR 2002

Poverty Eradication and Democracy in the Developing World

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2002/20



HUMAN DEVELOPMENT REPORT 2002

POVERTY ERADICATION AND DEMOCRACY IN THE DEVELOPING WORLD

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Background Paper for the Human Development Report, 2002

Note: I am grateful to the participants at the Manhasset workshop organized by the HDR office of the UNDP to discuss background papers.

INTRODUCTION

In the most meticulous and comprehensive statistical examination yet of the relationship between democracy and development, Przeworski et al (2000) have provided compelling evidence for a hunch long held by observers of development. “The lists of miracles and disasters”, they argue, “are populated almost exclusively by dictatorships... The tigers may be dictatorships, but dictatorships are no tigers” (p. 178).

Indeed, Przeworski et al could explicitly have taken another analytic step, a step that can be logically derived as a syllogism from what they say. Moving beyond a bi-modal distribution – miracles and disasters -- they could have also constructed a third, in-between category. They would have found that democracies tend to fall almost exclusively in the unspectacular but undisastrous middle. No long-lasting democracy in the developing world has seen the developmental horrors of a Mobutu’s Zaire, but none has scaled the heights of a South Korea, Taiwan or Singapore.

Can this argument be extended from economic growth, which is the focus of Przeworski et al, to the poverty-eradicating record of democracies in the developing world? Would it be true to say that while no democracies have attacked poverty as successfully as Singapore, South Korea or Taiwan, none has made economic life as awful for its poor people as a Guatemala, a Honduras, or an Ethiopia?

I argue below that, indeed, the poverty-eradicating record of democracies in the developing world is neither extraordinary nor abysmal. Democracies have succeeded in pre-empting the worst-case scenarios, such as famines (Sen, 1989) and a consistent or dramatic deterioration in the welfare of the poor, but they have not achieved the best results, which for the purposes of this paper means removal of mass poverty. The performance of dictatorships, in comparison, covers the whole range of outcomes: the best, the worst, and the moderate. Some dictatorial regimes have successfully eradicated poverty; in others the problem has worsened, or

no significant change in mass poverty is observable; and in still others, like democracies, the progress has been slow but steady. (Figure 1)

Why are democracies stuck in the middle? Two arguments can be made. First, if we draw a standard distinction between the direct and indirect methods of poverty-alleviation, it is possible to show that in the developing world, democracies find it politically easier to subscribe to the direct methods of poverty alleviation, despite the by now widely recognized economic inferiority of such methods. Contrariwise, indirect methods have little political appeal in democracies, even though their greater long-term effectiveness is clear in economic thinking. Direct methods consist of public provision of income (e.g., food-for-work programs, and credit and producer subsidies for small farmers) or a transfer of assets to the poor (e.g., through land reforms). Indirect methods are essentially growth-mediated -- not any kind of growth, but one that aims at enhancing *opportunities* for an increase in the incomes of the poor. Over the last two decades, the conventional wisdom in economics has moved towards the superiority of the indirect method, suggesting that it is more productive (how resources are used) and also more sustainable in the long-run (how long the provision of public resources can be financed, without impairing the capacity to provide them further)? The political logic, however, goes in the opposite direction in democracies. Due to electoral and mass pressures, democracies tend to have an elective affinity with direct methods of poverty alleviation. Not given to electoral renewal of mandates, this problem is avoidable in authoritarian polities. If indirect methods are better at eradicating poverty, it follows that authoritarian countries – some, not all, as argued later – would have greater success with poverty eradication.

My second argument has to do with the distinction between class and ethnicity. At its core, class is an economic category, but ethnicity is defined in terms of a birth-based (ascriptive) group identity, imagined or real. Ethnic politics of subaltern groups is typically not couched in terms of poverty, but in the language of *dignity and social justice*, in which poverty is typically only a component, incorporated in a larger theme emphasizing self-respect, equality of treatment,

and an end to everyday degradation -- in schools, fields, places of work and worship, and on roads and public transport. If the poor, irrespective of the ethnic group they come from, were to vote or mobilize strictly on economic grounds, they would also press the decision-makers to attack poverty a great deal more forcefully. However, at least in multiethnic democracies, it is not only easier to mobilize the poor as members of identity-based communities, but that is also how they often vote – *via* ethnicity, not *via* class. Both poverty and denial of dignity together constitute a more serious force in democratic politics than poverty alone.

That being so, *even with direct methods*, a democratic polity is better able to attack poverty a) if ethnicity and class roughly coincide for the poor, not if they clash, and b) if the subaltern ethnic group(s) are also relatively large in size. If the poor belong to very different ethnic groups (defined by caste, language, race or religion), the pressure on the political elite to remove poverty significantly decreases.

In short, my argument is that no democracy in the developing world has successfully eliminated poverty because a) direct methods of poverty-alleviation have greater political salience in democracies, and b) because the poor are typically not from the same ethnic group. The former hurts the poor because it can be shown that the indirect, market-based methods of poverty-alleviation are both more sustainable and more effective; and the latter goes against them because a split between ethnicity and class militates against the mobilization (and voting) of the poor as a class and dilutes the exertion of a pro-poor political pressure on governments.

DEFINITIONS, STATISTICS, MEASUREMENTS

In what sense am I using the key terms proposed above -- “dignity” “poverty”, “democracy”? Are all of them measurable, and if not, how does one think about them?

Dignity. Of the three, the term “dignity” is by far the most straightforward. Scholars of modernity tell us that dignity is a modern notion, to be separated from and contrasted with the medieval notion of “honor”. Honor, argues Berger in an influential essay, is “associated with a

hierarchical order of society... honor is a direct expression of status, a source of solidarity among social equals and a demarcation line against social inferiors" (Berger, 1983, p. 174). "For some to have honor in this sense", contends Taylor, "it is essential that not everyone have it" (Taylor, 1992, p. 27). In medieval times, some -- those high on the social scale -- had honor; others -- those low on the social scale -- did not.¹

Dignity, in contrast, "pertains to the... individual regardless of his position in society" (Berger, 1983, p. 176). If only some have honor, all have dignity; if birth is central to honor, being a person, regardless of ascriptive location, is critical to dignity; if honor is hierarchical, dignity is egalitarian; and if "in the world of honor the individual discovers his true identity in his roles", he does so "in a world of dignity... by emancipating himself from social imposed roles" (Berger, 1983, p. 177).

There are two senses in which this distinction is relevant for our purposes. First, "this concept of dignity is the only one compatible with a democracy" (Taylor, 1992, p. 27). A democracy begins to undermine ascriptive hierarchies in the public realm. Second, according to the recent developments in the theories of ethnicity and nationalism, one can visualize ethnic movements in two ways. Some ethnic movements, typically those led by the dominant groups, are movements of exclusion; others, typically those led by subaltern groups, are movements of resistance.² The former rely on the notion of honor, resisting the struggle for equality; the latter rely on the notion of dignity, challenging historically inherited social hierarchy and seeking equality.

It follows that if dignity and respect are denied in modern times to an ethnic group *that is also poor*, the struggle of the subaltern groups, *ipso facto*, becomes a struggle against both ethnic prejudice and poverty. If the poor do not come from an ethnic group but are constituted by many

¹ And in modern times, according to this reasoning, the concept of honor has best survived in "groups that retain a hierarchical view of society, such as the nobility, the military, and traditional professions like law and medicine." (Berger, 1983, p. 174)

² See Taylor (1997) and comment on Taylor by Feinberg in McKim and McMahan (1997).

ethnic groups, then the struggle of the subaltern is either against prejudice, or against poverty, but not against both. This, as I will show later, has serious implications for the politics of poverty-alleviation.

Poverty. By now, as we know, the term "poverty" is used in two ways. The conventional usage of the term is consumption-linked, focusing primarily, though not exclusively, on a caloric floor that the human body, on average, minimally needs to function "normally". In this narrower sense, hunger and endemic malnourishment more or less define poverty. In the richer parts of the world, we typically try to reduce the number of calories our bodies consume every day. In the developing world, the first challenge is not to reduce, but to provide a minimum of, calories to millions of people. The \$1/day yardstick used in PPP terms by the World Bank conforms to this, hunger-base definition of poverty.

The term "poverty" is also used more broadly. If we go by the human development arguments, the term would include education and health, in addition to consumption (hence income). I will not use the term "poverty" in this sense. The reason is not that education and health are not valuable. It is simply that I am clearer about the relationship between democracy and what is sometimes called *income poverty*, to be distinguished from *human poverty*. It will be interesting to speculate whether the former relationship also extends to the latter.

Democracy. In the seminal works on democratic theory (Dahl, 1989 and 1971), democracy is defined in terms of two basic criteria: contestation and participation. The first principle inquires how freely the political opposition contests the rulers, and the second asks whether all groups, irrespective of social and economic criteria, or only some groups, participate in politics and determine who the rulers should be. The first principle is also called political liberalization; and the second political inclusiveness (Dahl 1971).

Democracies may have an identifiable impact on poverty, but it should be noted that poverty itself does not enter the definition of democracy. The best we can say is that if poverty, despite democratic institutions, obstructs the free expression of political preferences, it makes a

polity *less* democratic, but it does not make it *undemocratic*. So long as contestation and participation obtain, democracy is a *continuous* variable, not a *discrete* or *dichotomous* variable. Variations in degree and dichotomies need to be distinguished. As Dahl famously put it, before the civil rights revolution of the mid-1960s the United States was less democratic than it is today, and America's future can be even more democratic if there is greater reduction in economic inequalities (Dahl, 1971, p. 29).³ In the presence of contestation and participation, an absence of poverty certainly makes a polity more democratic, but elimination of poverty by itself does not constitute democracy. There is no democracy without elections.

Another important conceptual issue should be clarified. In the first world, democracy is a stock variable, but in the developing world, it is a flow variable. In the poorer countries, a military coup or a wanton suspension of the legislature by the executive can dramatically alter the democratic score of a country, as it were. That is to say, on a 0-1 scale, the values of democracy in poorer countries can easily fluctuate between 1.0 and 0, but richer countries typically don't have coups and their governments don't normally suspend legislatures.

This difference in the institutionalization of political structures has a serious implication for how we go about measuring the impact of democracy on poverty. For analytical tractability, it is necessary, first, to identify which countries have been relatively stable democracies - i.e., democracies for a long enough period – in the developing world. An exercise like this is not necessary in the first world, where democratic stability can be assumed. It is difficult, though not impossible, to analyze the impact of democracy on poverty if democracy itself is not stable.

If we construe "long enough" to mean *more than half of the period since the late 1940s, or since independence*, then, countries that would meet the criterion of longevity are few and far between: India, Sri Lanka, Botswana, the former British colonies in the Caribbean, Costa Rica, the Philippines between the late 1940s and 1960s and after the mid-1980s, Venezuela since 1959,

³ Analogously, by allowing a great deal of contestation but restricting participation according to class (and also gender), England in the 19th century was less democratic than it is today, but it was democratic nonetheless, certainly

and some other very small states, smaller than even Botswana and Trinidad⁴ (Huntington, 1983; Weiner, 1989). Some would add Malaysia to this list as well, but it should be noted Malaysia is by now seen as a long-lasting, consociational-type democracy, where participation may be high but contestation is limited between political parties by consensus, and political competition, by agreement, is designed around ethnic groups, not individuals (Lijphart, 1977).⁵ Malaysia, in other words, is a particular kind of democracy, not one in the standard sense. For our purposes here, we can count it as a democracy, given that universal-franchise elections are regularly held, so long as we remember the specific nature of electoral competition and consider its economic implications.

In short, it is the countries above that are critical for analyzing the relationship between democracy and poverty. Democracy has come to many more countries since the late 1970s than ever before (Huntington, 1991), but if we enlarge the canvas to include the entire post-1945 period,⁶ it will be hard to add many more countries to the small list above. In contrast, the number of countries, which remained authoritarian for long periods after 1945, is very large. This asymmetry means that we only have a small number of observations about long-lasting democracies. If the *n* were larger, we could have a robust statistical analysis of their economic consequences for the poor. Until the post-1980s wave of democracies -- the third wave (Huntington, 1991) -- has produced many more democratic observations for inclusion, rigorous qualitative reasoning is our best analytic option (King, Keohane and Verba, 1994).⁷

by 19th century standards.

⁴ For example, Fiji and Mauritius, both with a population of less than a million.

⁵ Political parties in India and Sri Lanka may also seek to represent specific ethnic groups, but there has been no constitutional pact, or political requirement, that that should necessarily be so. Parties are free to build cross-ethnic alliances, if that aids their political fortunes.

⁶ For the most recent listing, see Freedom House 2000.

⁷ The analytic implication of such a small-*n* world, one might add, is very different from the one we encounter when we examine the impact of democracy on economic growth *globally*. Inclusion of both developed and developing countries makes the number of democracies sufficiently large, making the idea of a sophisticated statistical analysis viable. (Barro, 1997)

Poverty Eradication: How Much? Where?

Whether democratic systems have reduced poverty, it should be clear, is not a cross-sectional question. We need least two sufficiently distanced periods for analysis, if not an entire time-series. Such data on an inter-country basis do not exist. Based on an international poverty line of \$1/day in PPP terms, global figures for poverty were first calculated for 1985 (The World Bank, 1990). Though doubts remain as to the authenticity of such large-n, inter-country statistics, the World Bank are now customarily used for discussion of world poverty. Note, however, that even if we agree with the World Bank, all we can say is that between 1987-93, about 30 per cent of the world population remained more or less consistently below the \$1/day poverty line.

Whether the proportion has gone down since remains unclear.

We simply do not know the numbers of the poor, either globally or countrywise, for the 1950s or 1960s in any systematic sense. If, to gather such statistics, we rely on the reports available for each country, we find that the criteria used by different countries to define and measure poverty either do not match, or often the criteria have not been consistently used within the same country. A methodologically tight time-series on poverty for the entire developing world is not available, nor it is easy to create it for the pre-1985 period.

Luckily, some broad conclusions can nonetheless be presented, for they do not depend on statistical accuracy but on statistical reasonableness. Complete data sets would be necessary if we were to make finer judgments – for example, if we were asked to rank order all developing countries on poverty eradication, just as Human Development Reports rank all countries on HDI. Since, instead of a comprehensive rank ordering, all we need is categorical judgments, the available statistics, despite being incomplete, do permit some fairly robust conclusions.

On poverty-alleviation, there is a huge variation in the record of authoritarian countries (Table 1). Spectacular authoritarian successes at attacking poverty (South Korea, Taiwan and Singapore) coexist with miserable failures (in much of Sub-Saharan Africa and Latin America).

And many countries also fall in the middle of the two extremes. *All developing countries, where close to, or more than half, of the population was still below the poverty line in the early 1990s, have in the last four to five decades been mostly authoritarian:* Guinea-Bissau, El Salvador, Gambia, Guatemala, Haiti, Malawi, Lesotho, Madagascar, Niger, Peru, Rwanda, Senegal, Sierra Leone, Uganda, Zambia.

It bears repeating that until we have a better data set on poverty, we don't have a uniquely acceptable way of identifying these countries. We have to work with the second best. Thus, for inclusion in the list above, I have chosen a method, which gives us working and approximate but not precise figures. The method relies on a comparison of national and World Bank poverty estimates. A country is included in the above list: a) if both the national and World Bank poverty estimates more or less coincide around 50 per cent; b) if one of the two estimates is available and is significantly above 50 per cent. In cases where there is a serious divergence between the two estimates, I have not included that country in the list. But even if we include the third category, it is significant that all of them come from the set of countries, which have been mostly authoritarian: Honduras, Kenya, Mauritania, Nepal, Nicaragua.

In comparison, long-lasting democracies are neither the biggest successes, nor the greatest failures. As Table 2 illustrates, the proportions of population below the poverty line in relatively stable poor democracies for the latest single year in the period between 1992-97 (unless otherwise noted) are: India (35%), Jamaica (34.2%), Botswana (33% in 1985/6), Venezuela (33% in 1990), the Philippines (37.5%), Sri Lanka (25%), Costa Rica (22% in 1990), and Trinidad and Tobago (21%).⁸ In the early 1960s, South Korea, Taiwan and Singapore were roughly as poor, or poorer, than these countries (Morris and Adelman, 1973), but by now they have wiped out

⁸ Most percentages cited here are based on the World Development Indicators published by the World Bank. Where not available, I have used other sources. Data on Latin American democracies comes from Altimir, 1998. On Sri Lanka, the World Development Indicators show only 4 per cent of the population below the poverty line, but the International Monetary Funds questions the World Bank statistics, rightly so, if one goes by Sri Lanka's own statistics: "...under the international poverty line of \$1 a day Sri Lanka's poverty rate is only 4 per cent; under more reliable measures based on local poverty lines and nutritional needs almost 25 per cent of the population lives below the poverty line (IMF 1998, p. 51).

mass poverty, and some have become developed economies. Economically speaking (though not politically), Singapore today is a first world country, considerably richer than the UK and without the obvious signs of poverty one often sees in parts of Britain.

In short, the violent authoritarian fluctuations contrast sharply with a certain middling democratic consistency. Democracies may not be necessarily pro-poor, but authoritarian systems can be viciously anti-poor. Democratic attacks on poverty have simply been slow but steady.

UNSPECTACULAR BUT UNDISASTROUS: WHY?

Direct versus Indirect Measures

As is often noted in economic literature, direct methods of poverty alleviation represent income transfers to the poor (producer and credit subsidies, or poor-based employment programs) and at a more radical level, asset transfers (land reforms). The indirect methods are growth-mediated. Since economic growth, according to mainstream economic wisdom today, is best achieved through trade liberalization and a generally more market-oriented economic strategy than was typically adopted in the developing world till the late 1970s, these trade- and market-oriented policies have also, by implication, become the indirect methods of poverty-eradication in economic thinking.

Two clarifications, however, must be added. First, the emphasis on a growth-mediated strategy does not imply that all growth strategies are good for poverty-alleviation. A labor-intensive growth strategy is better than one that is capital-intensive. Since trade-oriented growth is, by definition, more labor-intensive for poor countries *than import-substituting growth*, which tended to rely on the domestic production of capital goods, the former can qualify as an indirect method of poverty alleviation, but the latter may not. Stated another way, there is a difference between South Korea and Brazil. Both relied heavily on high growth, but the former has been trade-oriented since the late 1960s and the latter only since 1991 (Sachs and Warner, 1995, p. 23). South Korea has more or less eradicated mass poverty; Brazil has not.

Second, a growth-based strategy of poverty-alleviation does not entail a full-blown external liberalization of the economy, nor does it imply a complete absence of reliance on direct methods. Trade liberalization can be argued to be infinitely superior to the liberalization of capital markets (Bhagwati, 1998; Krugman, ; Sachs, Varshney and Bajpai, 1999; Stiglitz,), and so long as growth is generating enough resources, it may even be possible for public authorities to allocate more for direct measures, such as food-for-work programs. Therefore, even the sustenance of some direct methods, if not all, is heavily reliant on growth-generating policies, but the reverse may not be true. Direct measures can often be more effectively run in the framework of growth-enhancing, trade-oriented policies.

In democratic politics, however, these arguments have a very different meaning. Whether their impact on poverty is lasting or not, direct methods have clearly comprehensible and demonstrable short-run linkages with the well-being of the poor. The impact of indirect methods -- exchange rate devaluations, tariff reductions, privatization of public enterprises and, generally, a market-oriented economic strategy -- on poverty is not so clear-cut, short-run, and intuitively obvious. This has serious political consequences in democratic politics.

To illustrate the point, let us consider the politics and economics of trade liberalization and currency devaluations. Under what conditions would their link with mass welfare be clear and direct? If a country's economy were heavily dependent on foreign trade, a bringing down of tariff walls, a lowering of quantitative trade restrictions and a devaluation of the currency would potentially be of great concern to the masses. In 1996, trade constituted more than fifty per cent of the GDP of Singapore, Malaysia, Thailand, the Philippines, Mexico, Hungary, South Korea, Poland and Venezuela, and between forty to fifty percent of the GDP of Israel, Chile, China and Indonesia. Dramatic changes in the trade and exchange rate regimes of these countries thus have a clear potential for mass politics and welfare.

However, if external trade is a small part of the economy, changes in trade and exchange rate regimes will be of peripheral importance to the masses.⁹ Thus, in order for trade and exchange rate regimes to become part of democratic mass politics, economies must become more trade-dependent in the future. If globalization does proceed further, this scenario is quite possible. But it is important to recall that in the ISI era that lasted right until the late 1970s and early 1980s, such political potential simply did not exist.

One can, of course, suggest that even if trade-dependence of an economy is small, overvalued exchange rates or relatively closed trade regimes will have a negative effect on mass welfare. Anne Krueger (1991), for example, has argued that an ISI-type trade and exchange rate regime made "import competing" industrial goods dearer for the countryside and also discouraged exports, thus systematically discriminating against the countryside all over the developing world. A majority, or large plurality, of a developing country's population was thus hurt, even when trade was a small part of the economy.

This is exactly where the politics and economics of development strategies dramatically begin to diverge. Rural politicians have long been prominent in developing countries, but they have never mobilized the rural masses in favor of an open foreign trade regime, concentrating instead on the absence of land reforms in some cases, or on the unfavorable urban-rural trade in others. These latter policies may indeed have, as Krueger argues, caused less overall damage than exchange rate and trade regimes, yet they have been politically more salient.

It should, of course, be noted that such indirect links between trade and exchange rate policies on the one hand and rural welfare on the other were not clear to the economists earlier. By and large they continued, until the 1970s, to look at rural welfare primarily in term of internal

⁹ The overall size of the economy complicates the meaning of low trade/GDP ratios. Smaller economies tend generally to have a high trade/GDP ratio, making trade very important to their political economies. With the striking exception of China, however, the largest economies of the world -- the U.S., Japan, Germany -- are less trade dependent. (Indeed, the trade/GDP ratio for India and the U.S. was roughly the same in 1996.) Still, trade politics, as we know, has aroused a great deal of passion in the U.S. and Japan. The meaning of the same ratios can change if the leading sectors (autos, computers) or "culturally significant" sectors (rice for Japan, agriculture in France) of the economy are heavily affected by trade.

terms of trade and direct benefits to the countryside. If the economists were not aware until recently, can we expect democratic politicians to mobilize peasants over the relatively unclear, though hugely important, links between foreign trade and rural, or mass, welfare in a poor country? *Long-run and indirect links do not work well in democratic politics: the effect has to be simple, intuitively graspable, clearly visible, and capable of arousing mass action.*

Direct evidence on how the masses look at market- oriented economic reforms is also available. In a large survey of mass political attitudes in India conducted between April-July 1996, about five years after reforms were initiated there, it was found that 32 per cent of the urban voters knew of reforms, but only 12 per cent of the rural electorate had heard of them (Yadav and Singh, 1996), even though a change in trade-regime implied that the protection offered to manufacturing relative to agriculture had gone down significantly and agriculture's terms of trade had improved. Further, nearly 66 per cent of the graduates were aware of the dramatic changes in economic policy, compared to only 7 per cent of the poor, who are illiterate and mostly residents of the countryside. Thus, India economic reforms, toasted enthusiastically in the domestic and international economic community, had barely made an impression on the rural folk and the poor. An equally dramatic direct attack on poverty, however economically unsound, would almost certainly have registered more prominently.

Consider now some evidence from Latin America. After the emergence of third wave democracies in Latin America, politicians during the Presidential campaigns have not on the whole made market-oriented reforms the central plank of their electoral strategies, but have joined the reform bandwagon only after coming to power. Susan Stokes (1999) analyzes such “policy switches” at length and concludes that since the early 1980s, mandates have been “widely and severely violated” in Latin American democracies (p. 126). Democratic campaigns are not hospitable to discussions of indirect links between macroeconomic reforms and poverty.

Such an elective affinity between democracy and direct methods has on the whole -- and so far -- limited the ability of democracies to eradicate poverty. This problem also suggests what

the outer limits of democratic political action could be. For, even if we could mobilize the poor as a cohesive force, and their pressure led to something as dramatic as land reforms, the consequent effect on poverty, though positive, would not be as substantial, or as long-lasting and sustainable, as has been customarily imagined.

Land reforms are commonly seen as the most effective direct method of attacking poverty.¹⁰ But for land reforms to remove poverty, two other conditions must be met: a) there should be enough land to go around, making sure that a suboptimal distribution of small plots does not inhibit the post-reform productivity of the poor; and b) new agricultural technology, which is relatively expensive and therefore not easily affordable by the poor, is provided to the poor at a subsidized price by government (Varshney, 1995). A better utilization of labor inputs, possible and likely after the tenant is more secure or people work on their own lands, will by itself not bring about sustained increases in productivity and therefore income (Herring, 1989). If plots end up being suboptimal or new technology -- irrigation, HYV seeds and chemical fertilizers -- can not be bought by the beneficiaries, land reforms may introduce a measure of justice, but they can also leave most beneficiaries at a low-level economic equilibrium, instead of leading to a sustained increase in their incomes. That is why security to tenants and allocation of land to the tiller do not necessarily raise them above the threshold of poverty line. The questions of productivity and access to new technology continue to be relevant.

This, I should emphasize, is not an argument against land reform or asset redistribution *per se*. It is simply a call for pushing the inquiry towards asking how it compares with other methods and whether other methods are more productive and sustainable, while also being poverty-alleviating simultaneously. Land reforms are defensible, if one can show that they promote productivity and can be a source of sustained increases in income. In Latin America, where the Gini coefficients of land distribution are considerably higher than elsewhere, the

¹⁰ The argument below is economic, not political. For the political conditions under which land reforms can be implemented and why these conditions are so rare, see Herring (1983).

land/man ratio is not entirely unfavorable, and there is enough land to go around, a case can still be made for land reforms. By contrast, where landlessness is not typically high (for example, Sub-Saharan Africa), the poor will not gain much from land redistribution. Other methods of raising productivity may be more relevant, including public investments in irrigation on a continent not known for high irrigation/total acreage ratios, or scientific research on seeds that are less water-using and therefore more usable in semi-arid conditions.

If land distribution to the poor, or security of tenancy, cannot always guarantee an end to poverty, the effectiveness of income transfers -- though credit or producer subsidies -- to the poor is even more open to question. The fiscal sustainability of such direct transfers to the poor, when a large plurality of the population is below the poverty line, can be highly dependent on whether economic growth is generating enough public revenue for the programs to be large-scale and long-lasting.

To conclude this part of the discussion, the direct methods are less economically effective but politically more attractive in democracies, and the indirect methods are more economically effective but harder to sell politically. A better alignment of the political and economic may be possible in authoritarian countries, where politicians do not have to carry the masses with them in election campaigns and the long-run and indirect methods of poverty removal can simply be implemented by decree (if a political elite is committed to the poor, which may or may not be true). Unless the trade-dependence of an economy qualitatively changes, making more and more people dependent on trade for their welfare, a trade-oriented strategy will not arouse political passions in a democracy, and the economically desirable methods will continue to have a mismatch with the likely forms of democratic politics.

Class versus Ethnicity

The argument above underlines why direct methods of poverty-alleviation, even though politically attractive in poor democracies, are not well-equipped to end mass poverty. The

argument does not imply that direct methods will have no impact. To repeat, both methods can make a dent; one is simply more productive and sustainable.

Within the parameters of direct action, however, the best results are obtained when class and ethnicity coincide for the poor, not when class and ethnicity clash. The former are called ranked ethnic systems in the literature, and the latter unranked ethnic systems (Horowitz, 1985). If ranked ethnic systems are also democratic, the poor can exert more effective pressure on governments and the effect on poverty is greater than is normally possible in unranked ethnic systems. Why should this be so? And what kind of evidence do we have to support the claim?

In generating collective action, the greater power of ethnicity vis-à-vis class can be explained in three ways. Two of them treat all kinds of ethnic mobilization together, contrasting them with class mobilization. The third separates ethnic mobilization of the dominant groups from that of the subaltern. All three are relevant, the third most especially so.

First, developments in collective action theory seek to show why ethnicity solves the collective action problem better than class does. Class action is bedeviled by free-riding (or, what would be analogous, by problems encountered in a prisoner's dilemma), but the main strategic problem in ethnic collective action is one of *coordination*, not free-riding (Hardin, 1995). Coordination games are different from the prisoner's dilemma game. They rely on "focal points" to facilitate convergence of individual expectations;¹¹ hence they show how collective mobilization becomes possible. Ethnicity can serve as a focal point; class can not, at least easily.

The idea of "focal points" comes from Schelling's seminal treatment of the coordination problem in bargaining. In the famous Schelling example:

"When a man loses his wife in a department store without any prior understanding on where to meet if they get separated, the chances are good that they will find each other. It is likely that each will think of some

¹¹ Coordination games take the following form. So long as others in the group are cooperating, it is rational for me to cooperate -- for if all cooperate, the likelihood of the group gaining power (or the group realizing group objectives) goes up tremendously. "(P)ower based in coordination is superadditive, it adds up to more than the sum of individual contributions to it." (Hardin, 1995, p. 37). Third, all one needs to keep the coordination game going is a "charismatic leader", a "focus", (p. 36) and a mechanism through which information about others cooperating is provided to me. "Coordination power is...a function of reinforcing expectations about the behavior of others." (p. 37)

obvious place to meet, so obvious that each will be sure that the other is sure that it is obvious to both of them." (Schelling, 1963, p. 54)

Schelling goes on to suggest that without having an intrinsic value for the couple, the "lost and found" section of the department store could be one such place. It will, however, not be a focal point if there are too many "lost and found" sections in the store. A focal point is distinguished by its "prominence" or "uniqueness": it has the instrumental power of facilitating the "formation of mutually consistent expectations" (Schelling, p. 84). Ethnicity can be viewed as one such focal point for mobilization. There is no equivalent in class action.

The second line of reasoning, not deployed in the political economy literature as the reasoning above typically is, has emerged from the theories of ethnicity and nation-building. Though the primary purpose of these theories is to show that ethnic and national groups are imagined communities (Anderson, 1983), they have serious implications for the concept of class. Any collectivity that is larger than a village, a neighborhood or a small organization is an imagined community for it does not allow face-to-face intimacy. Thus, classes, like ethnic groups and nations, are also imagined communities. An individual does not "naturally" feel his class; such consciousness depends on political mobilization, public policy, or other people's behavior towards that individual.

Why, then, is caste/religion/nation more powerful than class? Because compared to class, caste, ethnicity and religion are more likely to form a historically enduring bond and provide common histories, heroes and villains. Moreover, the poor as a class rarely have leaders from among the poor. In contrast, a poor ethnic community can witness the emergence of a small middle class, and thereby generate its own leaders.

A third explanation also comes from the field of ethnicity and nationalism, focusing especially on the distinction between the ethnic politics of exclusion, which typically expresses the interests of dominant groups, and the ethnic politics of resistance, which reflects the interests of the subaltern. In subaltern ethnic politics, economic issues, dealing with the poverty of the

group, are typically woven into a larger template emphasizing equality of treatment and an end to quotidian insults and humiliation in public spaces -- in schools, fields, places of work and worship, and on roads and public transport. In contemporary times, the political equality of democracy clashes with a historically inherited world where group-based hierarchy, humiliation and degradation continue to exist (Taylor, 1992). The denial of basic human dignity and practice of discrimination on grounds of one's birth, *when added to poverty*, constitutes a much more powerful foundation of resistance than poverty alone.

Clearly, such a distinction between ethnicity and class may not be present everywhere. It will certainly not mark the politics of monoethnic societies (such as South Korea, Taiwan and many, though not all, Latin American countries); or societies where the subaltern ethnic group is not only poor but small in size and yet to develop a middle class.¹² For all of these reasons, in the literature on ethnicity, Latin America (Dominguez, 1996) and East Asia (Horowitz, 1985) are normally considered outliers. They have seen a lot of class politics, but not enough ethnic politics, at least not yet. In comparison, in South and Southeast Asia, Sub-Saharan Africa, Eastern and Central Europe, ethnicity has often trumped class.

Ranked Ethnic Systems and Poverty: Examples

Let me now turn from theoretical reasoning to the empirical world. What examples can be cited for the claim that unless poverty is linked to identity politics, it does not necessarily become a force in democratic politics?

While we know a great deal about the ethnic profiles of most poor democracies, inter-country comparisons on poverty, as already stated, are rendered difficult by the absence of a time-series and lack of consistency in measurement criteria. Still, from what we know, of all poor democracies – consociational or adversarial -- Malaysia has shown by far the best results on

¹² Or, sociologists have often reminded us, societies where the "hegemony" of the privileged groups is yet to be broken.

poverty-reduction. The proportion of population below the poverty line has declined in Malaysia from 49.3 per cent in 1970 to 9.6 per cent in 1995 (IMF 1998). We must, however, note two special features of Malaysian political economy. First, when democracy was instituted, the majority ethnic group - the Malays -- was vastly more rural and poor than the major minority group, the Chinese. Once inaugurated, democratic politics got ethnically structured (Milne, 1967). The majority ethnic group, led by its small upper and middle class, came to power and once in power, the elite undertook a large number of direct measures, both in the countryside and cities, to increase the incomes of their ethnic group (Jomo, 1990). Second, the direct measures were undertaken *within the larger framework of a trade-oriented economic policy*. Right since 1963, Malaysia has been an open economy, reducing its average tariff to less than 40 per cent, not allowing not-tariff barriers to cover more than 40 per cent of trade and not letting its currency overvalued by more than 20 per cent (Sachs and Warner, 1995, p. 21). By comparison, it may be noted that Sri Lanka, often compared to Malaysia both for its size and potential (and, one might add, considerably more literate and peaceful in the 1950s and 1960s), used direct poverty-alleviation measures only. It was able to alleviate poverty significantly, but not as much, or successfully, as Malaysia. Unlike Malaysia, open since 1963, Sri Lanka remained a closed economy until 1978.¹³ By the late 1970s, the fiscal ability of Sri Lanka to run its direct anti-poverty programs were clearly in doubt (Bruton et al, 1992)

Though indicative, these *inter-country* comparisons may not be as methodologically tight as *intra-country* comparisons,¹⁴ where a great many factors other than ethnicity can be controlled for and the effect of ethnicity on poverty identified with greater certitude. In India, detailed and disaggregated statistics on statewise poverty, going back to the 1960s, are available. Patterns of state politics and policy can thus be clearly linked to the outcomes for poverty.

¹³With the exception of two brief periods, 1950-56 and 1977-1983 (Sachs and Warner, 1995, p. 23)

¹⁴ For Sri Lanka, for example, it has been argued that compared to other countries, it had fewer inequalities right at the time of independence. Thus, its good, though not spectacular, performance is not simply a function of the policies pursued after independence. The performance was path-dependent. See Bhalla and Glewwe (1986)

The states of Punjab and Kerala have shown the best results.¹⁵ In Punjab, the green revolution, an indirect and growth-based method, has been key to poverty alleviation. In Kerala, the method was direct. Land reforms and extensive job reservations in government employment were the twin strategies.

Was the emphasis on direct methods in Kerala a result of the poor organizing themselves as a class? On the face of it, this would appear to be the case, primarily because a Communist party, repeatedly elected to power after 1957, led the campaign for land reforms and social justice. Its rhetoric was based on class.

However, both social history as well as electoral data make it clear that there was a remarkable merging of caste and class in Kerala, the former defined ethnically, the latter economically. At the center of this coincidence is the Ezhava caste, estimated to constitute a little over 20 per cent of the state's population. The Ezhavas traditionally engaged in "toddy tapping" (production of fermented liquor) and were therefore considered "polluting" by the upper castes. They were not only considered "untouchable" but also "unseeable". The catalogue of everyday humiliations for the Ezhavas was painfully long :

"They were not allowed to walk on public roads. ... They were Hindus, but they could not enter temples. While their pigs and cattle could frequent the premises of the temple, they were not allowed to go even there. Ezhavas could not use public wells or public places. ...
...An Ezhava should keep himself, at least thirty six feet away from a Namboodiri (Brahmin) He must address a caste Hindu man, as Thampuran (My Lord) and woman as Thampurati (My Lady). He should never dress himself up like a caste Hindu; never construct a house on the upper caste model. ... The women folk of the community...were required, young and old, to appear before caste Hindus, always topless. About the ornaments also, there were restrictions." (Rajendran, 1974, pp. 23-4)

At the turn of the century, experiencing some mobility and developing a small middle class, the Ezhavas rebelled against the indignities of Hindu social order and started fighting for their civil rights. Led by a famous Ezhava saint, Sri Narain Guru, sometimes called the Gandhi of Kerala, their protest movement aimed at self-respect and education. Self-respect entailed withdrawal from toddy tapping, a movement into modern trades and professions, and a nonviolent attack on the symbolic order. Since they were denied entry to temples and were only

¹⁵ For a quick overview of all states, see Ravallion and Dutt (1996).

allowed to worship "lower gods and spirits", the Ezhavas, the Guru said, would have their own temples, in which they would worship "higher gods" to whom they would offer flowers and sweets, not animals and liquor reserved for the "lower gods". Meanwhile, to improve their economic and social status, they would educate themselves. And to facilitate all of these activities, they would set up an organization. "Strengthen through organization, liberate by education" was the motto.¹⁶

These issues, all caste-based, decisively restructured the politics of Kerala in the 1930s. Entry into temples, an attack on the social deference system concerning dress and access to public roads and a more equal access to education drove the civil rights campaign. It is only subsequently that tenancy rights and land reforms spurred the mobilization for economic rights; it is only in 1940 that the Communist Party of Kerala was born.¹⁷

If the fit between the Ezhava caste and the rural poor had not been so good between the 1930s and 1940s, class mobilization would have made little headway. Class politics was inserted into the campaign for caste-based social justice.¹⁸ To this day, the Ezhava caste continues to be the principal base of the CPM. People of similar class-positions, if Nair, have gone on the whole with the Congress; if Christian, with Kerala Congress; if Muslim, with the Muslim League (Nossiter, 1982, pp. 345-375).

This section will be expanded further

¹⁶ For a detailed analysis, see Rao (1979).

¹⁷ In a disarmingly candid statement, E.M.S. Namboodiripad, the greatest Communist mobilizer of 20th century India and a Kerala-based politician admitted before this death that the inability of the decades-long class mobilization in Kerala to overwhelm the religious divisions of the state might be rather more rooted in historical realities than Marxists had expected. See Namboodiripad (1994)

¹⁸ For a compelling argument that this merger facilitated the emergence of a Communist movement, Menon, 1994. While talking about the peasants and workers, the Communists could repeatedly use caste issues, which had great resonance in Kerala.

POLICY IMPLICATIONS

Instead of summarizing the argument in this concluding section, let me draw out its policy implications. First, while democracy in the developing world does not have the best record in alleviating poverty, it does not have the worst record either. Some authoritarian countries have done extremely well, eliminating poverty; others, like democracy, have done moderately well, reducing poverty but not eliminating it; but a large number of authoritarian countries have been viciously anti-poor, caring little for the conditions of the poor. No stable democracy in the developing world falls in this, last category. The implications should be obvious. When it comes to poverty-eradication, authoritarian polities have a “going for broke” quality. They can do very well, but the odds that they can worsen the conditions of the poor, instead of improving them, are also highly significant. Moreover, once the anti-poor turn sets in, there are no checks on authoritarian countries either. Democracies remain the best bets, for they do not allow the conditions of the poor to decline consistently or dramatically, and almost always, do moderately well in alleviating poverty. The concern of the policy community should be on improving the performance of democracies through the pressure of public criticism. To bet on dictatorships is to take a huge risk.

Second, the argument about dignity also suggests a policy reformulation of the poverty debate. If it is true, as I have argued, that the impact of a polity on poverty-alleviation is greater, when the politics of poverty-alleviation is conducted in the framework of *dignity and social justice*, then redesigning the politics of poverty in the language of self-respect, equality of treatment, and an end to everyday degradation -- in schools, fields, places of work and worship, and on roads and public transport – may go farther in mobilizing the poor as a political force than if they were mobilized only as an economic group of the poor. At least in multiethnic polities, where it is *politically* easier to mobilize the poor as members of identity-based communities, this path deserves greater policy attention. Both poverty and denial of dignity, taken together, make for a more potent force in politics than poverty alone.

Finally, some implications for globalization are also worth noting. As an instance of the indirect strategy of poverty-alleviation, economic globalization has been implicitly present in the paper, not explicitly analyzed. The context of poverty-alleviation has remarkably changed in the last decade, as more and more countries have adopted a market-based and trade-oriented economic strategy (Sachs and Warner, 1995). In what ways are the arguments about poverty above, summarizing on the whole the post-1945 development experience, relevant to the era of economic reforms, if at all?

To begin with, not all aspects of globalization are desirable, even in a purely economic sense. The arguments about the ill-effects of the liberalization of capital markets, especially for the poor, in the developing countries are compelling (Bhagwati, 1998). Trade liberalization and liberalization of investment and regulatory regimes may be more welfare-enhancing than a full-blooded liberalization of capital markets.

The political issue, however, is different. Whether or not, in a purely economic sense, de-regulation, and trade and investment liberalization are in the medium to long run better for the entire society, including for the poor, politically speaking, globalization in the developing world has thus far not emerged from below, which is where the masses, and therefore the poor, are located. Reforms have emerged from above -- through economic bureaucracies, both national and international such as the World Bank -- in moments of economic crisis that have demonstrated the exhaustion of statist and inward-looking economic strategies. The masses may have felt an acute dissatisfaction against the excessive and abusive powers of the state, especially in the former Communist world, but a desire for lesser state interference in everyday life does not necessarily translate into a support for economic reforms. Reliance on markets has simply emerged from the ruins of a discredited statist ideology of economic development, whose

capacity to deliver mass welfare had seriously declined and which had resulted in a widespread abuse of authority by state officials as well. This diversion may cease to be an indirect source of support for reforms, if markets fail to deliver mass welfare. In short, as of now, democratic politics and globalization are quite awkwardly aligned. It is not a happy and permanent marriage.

The key question is how to make markets – domestic and global -- work for the poor. Unless economic reformers produce a political language for their arguments that can be understood by and acceptable to "mass politicians", so that a mass constituency for reforms is created, and also show the clear links between economic reforms and the welfare of the poor (Sachs, Varshney and Bajpai, 1999), any drastic short-to medium-run downturn that makes the masses precipitously worse off can take the shine off globalization in democratic politics, and create a constituency for disciplining the uncertainties of markets through the agency of the state. The onus is on those who believe that globalization is not only about economic efficiency, but also about enhancing mass welfare, especially that of the poor. If reforms must be pursued in a democratic framework, an imaginative integration of the political and the economic remains quite necessary.

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FIGURE 1

Poverty-Alleviation Performance, Regimewise

	Worst	Moderate	Best
Democratic Countries		√	
Authoritarian Countries	√	√	√

Table 1
Poverty in Selected Authoritarian Countries (the early 1990s)

Country	Population % Below Poverty Line
<i>Best Performers</i>	
South Korea	Negligible
Taiwan	Negligible
Singapore	Negligible
<i>Moderate Performers</i>	
Thailand	13
South Africa	23.7
Mexico	14.9
Chile	15
Ivory Coast	17.7
<i>Worst Performers</i>	
Guatemala,	53
Honduras	47
Peru	54
Ethiopia	46
Niger	61.5
Senegal	54
Uganda	69.3

Source: As Above

TABLE 2

Poverty in Democratic Countries (the Early 1990s)

Country	Population % Below Poverty Line
India	35
Sri Lanka	25
Philippines	37.5
Botswana (1986)	33
Jamaica	34.2
Trinidad & Tobago	21
Costa Rica	22
Venezuela	33

Source: The World Bank, the IMF, and ECLAC