

INCOME DISTRIBUTION, POVERTY ALLEVIATION AND HUMAN DEVELOPMENT: The Structural Adjustment Experience of ASEAN Countries

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Structural adjustment is a continuous process and a concomitant of development. Prudent governments, therefore, endeavour to further the adjustment process rather than waiting for a crisis. But a crisis may develop as the result of an external shock. In fact, crises have the advantage of making the need for adjustment clearly visible, thus enabling governments to undertake harsh measures that would otherwise not have been politically feasible. On the other hand, waiting for a crisis situation to develop has disadvantages as well. First, a crisis is never a good time for basic reform; second, it associates basically good policies with harsh consequences and earns a bad name for them; and third, coercion and arm-twisting may result, and this can lead to the structural adjustment programme being rejected altogether.

The Market-Oriented Countries of Southeast Asia

Southeast Asian countries can be classified into two major groups: the market-oriented countries of ASEAN (Indonesia, Malaysia, the Philippines, Singapore and Thailand, plus Brunei since 1984), and the "dominated" economies, composed of Burma (now Myanmar) and the Indo-China states of Laos, Cambodia and Vietnam. Common to the dominated economies is an often repressive economic and political regime, segregated from the World market, and reliance on government to take all major and, indeed, many minor investment decisions. These analytical groupings are not water-tight. In fact, most of the ASEAN countries have adopted their present market orientation comparatively recently. And Vietnam, for instance, is beginning to turn away from its previous ideology of socialist economic organization. In this paper, it is the market-oriented economies of ASEAN that are of interest.

The ASEAN countries – with the exception of the Philippines – have adopted policies that are on the whole in line with the World Bank and IMF ideas. Since the 1970s and 80s, they have one by one restructured their economies by moving away from government domination and import substitution. They have installed basic economic policy frameworks allowing for a large measure of private enterprise, competition, and market-orientation of economic policy. But this market orientation by no means implies *laissez faire*. On the contrary, governments in ASEAN countries are deeply involved in macro-economic policy, in stabilizing their economies and steering their economic development, providing infrastructure for development, redressing mal-distribution of income and imbalances of resource flows by positive discrimination, and so on. The point is that the measures used are more and more market-conforming or, as described by Ajit Singh as, market-friendly: they influence decisions of private actors through prices rather than attempt to regulate them through restrictions such as quotas and licensing. As a result, governments in ASEAN countries are strong governments by virtue of the strength of their economies, rather than by virtue of the strength with which they dominate their economies and the polity in general.

The major features of these structural adjustments have been discussed in detail elsewhere. The main areas in which reforms have taken place are the following:

Exchange Rates:

- Exchange rates in ASEAN countries, with the exception of Singapore, were generally overvalued and had to be adjusted through devaluation and in some cases floating against the US Dollar.

Fiscal Policy:

- Fiscal policy was heavily slanted towards tariff revenues.
- Direct taxation needed to be increased both by increasing the tax base and the incidence of direct taxation.

Monetary and Financial Policy:

- The banking and financial sector was heavily regulated and in some cases in the public sector, leading to financial repression. Privatization and deregulation were required.

Trade Policy:

- The dominant strategy was import substitution leading to overprotection of domestic industry; a switch to export promotion strategies was therefore necessary.

- Non-tariff barriers to trade encouraged non-productive rent-seeking and had to be changed to tariffs.
- High tariffs provided government revenues but impeded production for exports; tariff reductions were therefore required.

Other Regulatory Framework:

- Business was impeded by a plethora of rules and regulations requiring licenses and leading to red-tape, rent-seeking and corruption. The need was for government to get out of business and business to get out of government through deregulation, privatization and decentralization.
- Some sectors were getting fat on state granted monopolies, protection and subsidization. They had to be exposed to free domestic and international markets.
- Foreign investors had been kept out or restricted in order to build up a domestic industry. This led to a lack of competitiveness of domestic industry on international markets. The rules for inviting foreign investments needed to be changed.

The major structural features of the economies the ASEAN countries began to strive for are ideally exemplified by Singapore, which has the following characteristics:

1. The extent of government involvement in the economy is high, but concentrated although not limited to, infrastructure. Public sector units are run on commercial lines by professional managers. If a unit does not perform, it is closed down and the manager fired.
2. Government intervention in the private economy for purposes of macro-economic management is by means of market-friendly measures. Subsidies are rare and concentrated on human resource enhancing measures, that is housing, health and education. Subsidies are not provided to industries, whether sick or otherwise.
3. An active incomes policy has been made possible by increasing wage flexibility. This has been achieved through the introduction of bonus schemes and the domestication, if not domination, of the trade unions.
4. Foreign trade, once under a regime of import substitution, is now actively encouraged, in order to reap the benefits of making the goods one is good at and exchanging them for the goods one needs.

5. Foreign investments are actively encouraged, in recognition of the fact that they bring in capital, technology, and management expertise. Singapore's experience has shown that a strong inflow of foreign capital is easier to regulate than a trickle, since multinational firms are obliged to compete with each other in the domestic market, rather than monopolizing it.
6. While accepting that the international trading system is unfair, the government also recognizes that there is no chance of the weak persuading the strong to change the rules of the game. Rather than calling for a shift of the goal posts from the sidelines, Singapore has become one of the nimble players in the game, using its flexibility and cost advantages.

The degree to which the other ASEAN countries have been able to emulate Singapore varies. Malaysia is hot on the heels of Singapore, and Thailand has achieved strong growth performance of late Indonesia, which is perhaps the country most comparable to South Asian countries in that it has a large size and is predominantly agriculturally based, has always been the poorest of the ASEAN countries but is progressing well. On the other hand, the Philippines, which experienced a great setback during the period of the Marcos regime, has become the problem-child of the ASEAN. It has not yet been able to fully install the framework conditions necessary for fast economic growth.

The opening up of the economy has been an important aspect of economic development in ASEAN, although tariff rates in some countries are still fairly high. Table 1 gives an indication of the importance of foreign trade to the ASEAN countries. A line for Pakistan has been included in the table for purposes of comparison. Of course, the city state of Singapore, which has to import almost everything it needs, distorts the picture. Therefore, an adjusted figure for ASEAN without Singapore's trade data has been computed. (This might be objectionable as the aggregation of ASEAN trade figures entails double counting of intra-ASEAN trade. However, as the major portion of intra-ASEAN trade is with Singapore and accounts for no more than 20 per cent of all ASEAN trade, this aspect has been neglected).

Each ASEAN country individually, even ASEAN's problem-child the Philippines, has higher levels of both imports and exports than Pakistan. Of course, smaller countries are obliged to trade more than potentially self-sufficient larger ones. But trade based on free exchange is welfare generating, since traders expect to gain from the exchange. In addition, trade helps to ensure reduction in domestic cost of production due to competition. The development of trade in Pakistan in the past has been restricted not only through tight government controls but also by a distorted price structure.

Trade per capita is on the average more than five times higher in the ASEAN countries than in Pakistan. On the other hand, trade as a percentage of the GDP is

TABLE 1

ASEAN and Pakistan, Merchandise Trade 1991

	Exports (US\$ m.)	Imports (US\$ m.)	% of GDP (%)	Trade per Capita (US\$)
Indonesia	33,815	27,280	48.3	331
Malaysia	40,705	38,361	137.3	4,251
Philippines	9,790	15,465	48.1	393
Singapore	63,386	72,067	294.3	48,376
Thailand	32,473	40,466	66.1	1,258
ASEAN adjusted*	116,783	121,572	68.7	727
Pakistan	7,264	9,360	39.7	139
Ratio ASEAN/Pakistan	16.1	13.0	1.7	5.2

Source: World Development Report 1994.

*ASEAN figures exclude Singapore.

quite comparable. However, this reflects the lower GDP level in Pakistan rather than the larger volume of foreign trade. This will become clear in the following section.

Growth and Development Performance

Let us now look at ASEAN's economic development performance. Table 2 presents the latest figures for per capita income (1991), as well as the growth rates for the period from 1965 to 1989.

Of the ASEAN countries, the Philippines has by far the lowest – in fact a negative – rate of growth of per capita income, and this reduces the ASEAN average. Nevertheless, because of a better base in 1980, per capita income in the Philippines remains substantially higher than Pakistan. Even Indonesia, a country that some 25 years ago had only half the per capita income of Pakistan, is now well ahead and, what is more, growing at a faster pace. The average annual growth rate of GNP per capita in the last decade has been satisfactory in Pakistan at 3.1 per cent and is only very slightly lower than that of the ASEAN average. However, if one adjusts the ASEAN figure for the negative performance of the Philippines, due largely to the recession experienced after the macro-economic mismanagement and corruption of

TABLE 2

ASEAN and Pakistan, Economic Performance

	Population mid-1992 (m.)	GDP 1992 (US\$ m.)	GDP per Capita 1992 (US\$)	GNP per Capita 1992 (US\$)	Average Growth 1980-1992 (% p.a.)
Indonesia	184.3	126,364	686	670	4.0
Malaysia	18.6	57,568	3,095	2,790	3.2
Philippines	64.3	52,462	816	770	-1.0
Singapore	2.8	46,025	16,438	15,730	5.3
Thailand	58.0	110,337	1,902	1,840	6.0
ASEAN*	328.0	346,731	1,057	1,145	3.3
Pakistan	119.3	41,904	351	420	3.1
Ratio ASEAN/Pakistan	2.7	8.3	3.0	2.7	1.1

Source: World Development Report 1994.

*The figures for ASEAN have been calculated using population weights.

the Marcos era and its aftermath, the picture looks slightly different: the ASEAN average at 5.4 per cent annual growth is 70 per cent higher than Pakistan's. It is hard to escape the fact that overall economic performance in most of the ASEAN countries has been superior to that in Pakistan. (Incidentally, this applies not only to Pakistan but also to the other South Asian economies, whose development strategy has been rather similar).

The widespread criticism of the World Bank approach would lead us to certain expectations regarding the socio-economic dimensions of development in the ASEAN countries:

- There should be no evidence of trickle down.
- The distribution of income is likely to become more skewed.
- While the rich growing richer, poverty would increase, both in terms of incidence as well as the absolute number of the poor.
- Human development would suffer due to the inhuman aspects of increasing capitalism.

Income Distribution

Growth is important, but at the same time loses its importance if nothing trickles down to the poor. One of the frequently heard arguments against growth strategies is that it benefits only the comparatively well off. This means that the concomitant of economic growth is a more skewed income distribution. Simon Kuznets in a well-known article published in 1954 developed what has come to be known as the "Inverted U-Hypothesis". According to this hypothesis, income distribution first becomes more unequal but reverts to a position of greater equality later. We would therefore expect to find the income distribution in ASEAN countries to manifest a trend towards greater inequality over time.

It is difficult to find time series information on income distribution in ASEAN, because governments there are hesitant to release figures regularly on this issue. However, at a conference on income distribution held by the Federation of ASEAN Economic Associations in Singapore in 1990, a number of papers were read that provided figures for each of the ASEAN countries. An attempt is made here to draw these figures together, to supplement them where possible with other data that has become available since then, and to draw conclusions from them.

The measure used most frequently and therefore permitting an international comparison is the Gini-coefficient, which measures the area between the line of total equality and the Lorenz curve. It lies between one (total inequality, that is one person has everything) and zero (total equality, all individuals have the same share). Figure 1 provides a view of the Gini-coefficients over time for ASEAN countries based on the intrapolation of available information.

With the exception of Malaysia, which registered a Gini-coefficient of 0.53 in 1976, no point in Figure 1 lies above 0.5, a fairly normal figure for developing countries. More important than the individual points are the trends over time. Singapore's Gini-coefficient shows some fluctuation, but is no higher at the end of the available series than at the beginning. In the case of Malaysia, the Philippines and Indonesia, the trend has been downward since the mid-1970s. Of particular interest is the (relatively short) trend line for Indonesia. Not only is the trend clearly towards greater equality, but the level itself must be regarded as quite low. However, in the case of Thailand there has been a clear upward trend between 1975 and 1985. Thailand thus is the only ASEAN country conforming to the expectation that income distribution would become more skewed during the course of development, which is rather worrying for economists in that country. A major factor appears to be the growing disparity between the urban areas, in particular Bangkok, and the rural areas.

It would be interesting to compare these developments in ASEAN countries with those that have taken place in Pakistan, but no trend figures are readily available at present. Nevertheless, it is possible to compare the general level of Gini-coefficients as compiled by the United Nations Development Programme (UNDP)

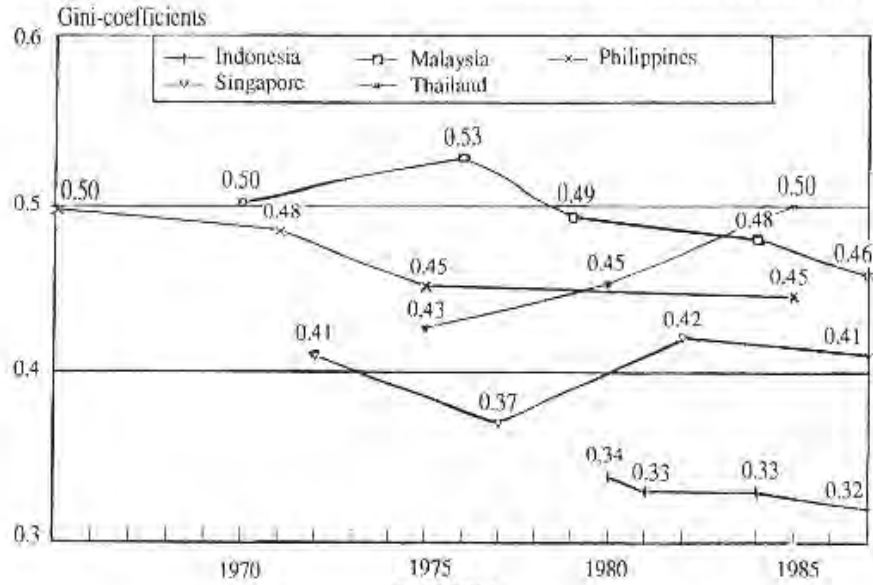


FIGURE 1

ASEAN Income Distribution: Gini-Ratios

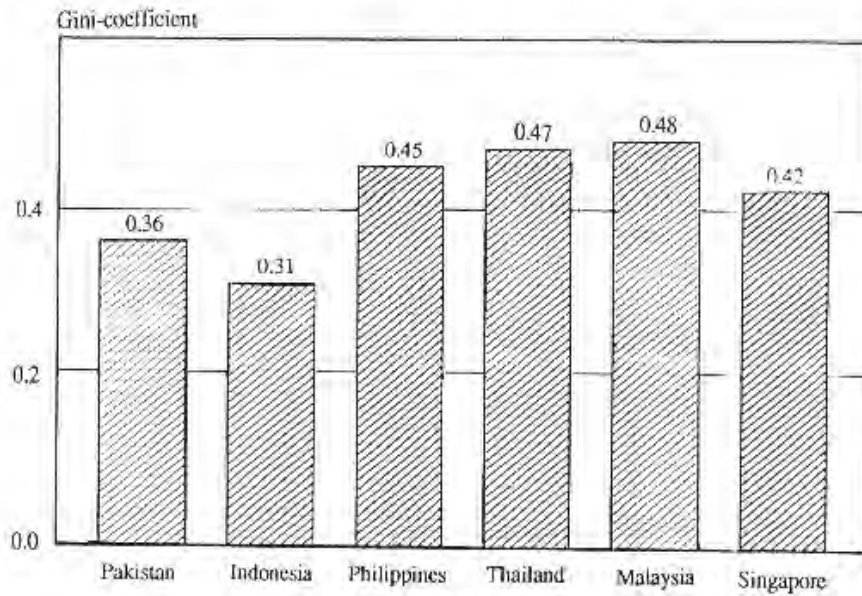


FIGURE 2

ASEAN and Pakistan: Gini-Ratios

Source: UNDP, Human Development Report, 1993.

in its Human Development Reports. These data are presented in Figure 2.

It is clear that income inequality in ASEAN is in general somewhat greater than in Pakistan. It might be tempting to read an inverted U-relationship from an arrangement of ASEAN countries Gini-coefficients, but this could be quite misleading, for it contradicts the trends depicted in Figure 1.

It is worth looking at another index of income distribution that gives some indication of the way the poorest quintile of the population fares in comparison to the top quintile. The time profiles of the ratios of the richest 20 per cent to the poorest 20 per cent are depicted for the ASEAN countries over the last decades in Figure 3.

Once again, the upward trend in Thailand is very clear. On the other hand, no such trend is evident for Malaysia, the Philippines and, in particular, Indonesia. Because there is only one value available for Singapore, no statement on the trend is possible for that country. In any case, based on the available figures, it is not possible to confirm the hypothesis that income inequality will inevitably increase in the course of development. Therefore, the development gains must, to some extent at least, be percolating to the people lower down the economic ladder. In other words, more of those in the traditional sector are being pulled up into the modern sector during the course of economic growth.

In order to compare the relative position of Pakistan vis-a-vis the ASEAN countries, we again take recourse to the figures published in Human Development Reports. These are presented in Figure 4.

The similarity in Pakistan and Indonesia positions is again apparent. Malaysia has a rather high ratio, which is still low as compared with some African and Latin American countries (Botswana 23.6; Brazil 26.1).

The Incidence of Poverty

Even if income distribution is not deteriorating, the proportion of people below the poverty line could conceivably go on increasing in line with population growth. In countries with high initial levels of absolute poverty, a large part of population growth will occur in poverty. The number of children born to poor families will be high for two reasons: First, the probability of being born in a poor family is statistically higher, and second, poor families are likely to have more children than rich families for a number of reasons that are well known.

The incidence of poverty in the ASEAN countries can be expressed in terms of the proportion of the population below the poverty line. Of course, all poverty lines are arbitrary to some extent, and the fact that they differ from country to country precludes accurate international comparisons. However, longitudinal comparisons over time make sense, provided one can get hold of comparable data for different time periods during which the poverty definition has remained unchanged. We are lucky to have a number of surveys of the incidence of poverty measured in this way

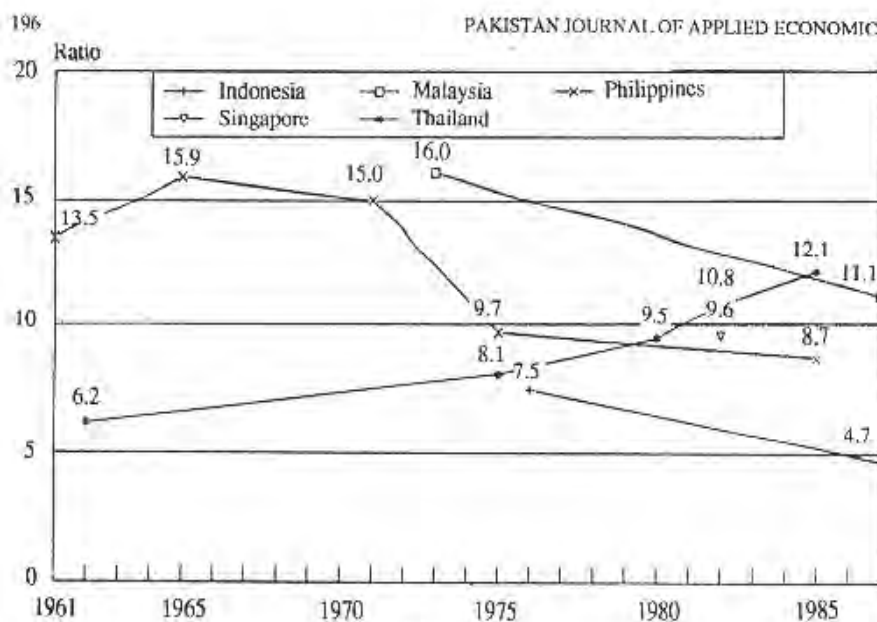


FIGURE 3

ASEAN Income Distribution
Ratio of Richest 20 per cent to Poorest 20 per cent of Population

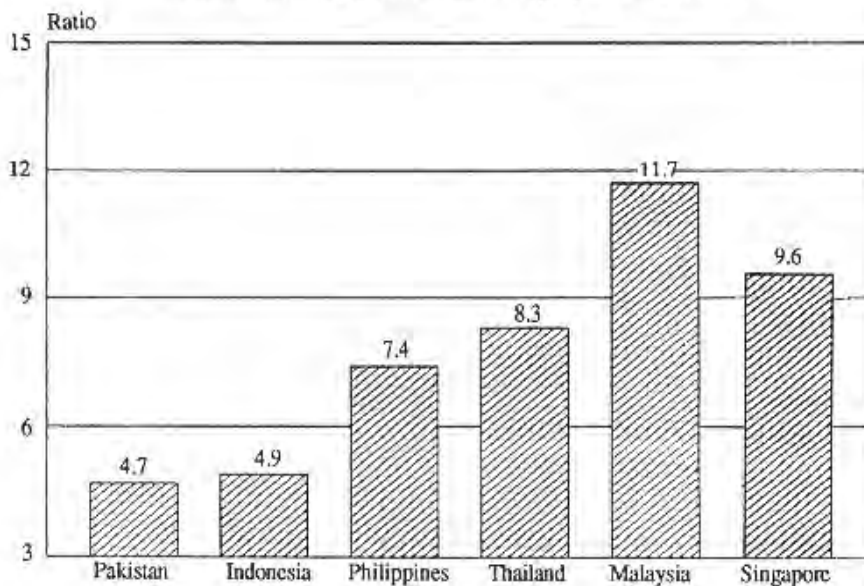


FIGURE 4

ASEAN and Pakistan: Ratio of Richest 20 per cent to Poorest 20 per cent of Population

Source: UNDP, Human Development Report, 1994.

for each ASEAN country, and these have been joined together in Figure 5.

The picture that emerges is fairly clear. The trend has in general been downwards. The only exception are the Philippines before 1970 and Thailand, where the slowing of economic growth due to the recession in the mid-80s coincided with an increase in the incidence of poverty from 23 to 30 per cent of the population. It is also worth noting that the incidence of poverty in the Philippines is still very high, although there has been a substantial drop from a high of 78 per cent to less than 60 per cent. A further interesting aspect is the bottoming out of the trend to reduce the incidence of poverty in Singapore.

While the percentage of people in the prosperous city state living in extreme poverty has touched zero, about even to eight per cent of the population still live in moderate poverty. These persons are likely to constitute the "hard core" poor, the group of people who will remain untouched by economic development, such as widows, orphans, the physically handicapped and others who are unable to fend for themselves. These will have to be looked after by society in special poverty alleviation programmes.

A comparison of rural and urban poverty in ASEAN countries is made in Figures 6 and 7. The incidence of poverty is generally higher in the rural areas, and setbacks in Thailand in the mid-80s hit the rural areas the most. So if a slowdown of growth reduces the absorption rate of the poor into the mainstream of the economy, this appears to find expression particularly in the rural areas. The generally lower poverty incidence in urban areas may be an indication both of the fact that rich people tend to live in towns and that the towns are generally subsidized at the expense of rural areas. Whatever the case may be, the incidence of poverty in all countries in ASEAN shows a clear downward trend, both in the urban areas and the countryside.

By combining the figures for the individual ASEAN countries, using population weights and linear interpolation where necessary, it is possible to construct a composite trend line for the group as a whole. This is presented in Figure 8. It is tempting to draw a comparison with Pakistan's performance over the same time period, but at the time of writing data are not readily available. However, a reference is made to the reduction of the incidence of poverty in Pakistan in the World Bank's Development Report on Poverty (1990), according to which the incidence of poverty was reduced from 54 per cent of the population in 1962 to 23 per cent in 1984. On the assumption that this process of poverty reduction has been taking place on a regular basis, this permits the construction of a trend line for Pakistan, and this has been included in Figure 8 for purposes of comparison.

Both Pakistan and the ASEAN countries have been successful in reducing the incidence of poverty over the years. From the mid-70s onwards, ASEAN has improved its performance on this score, and this happens to coincide with the gradual moving away from import substitution strategies and with the relaxation of

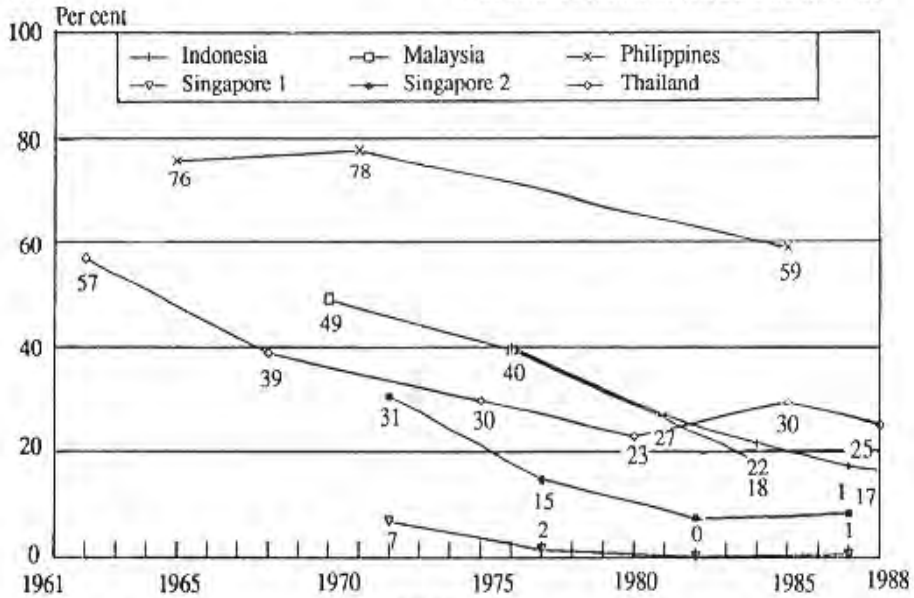


FIGURE 5

Poverty in ASEAN: Per cent of Total Population Below the Poverty Line

Singapore 1 = Extreme Poverty, Singapore 2 = Moderate Poverty.

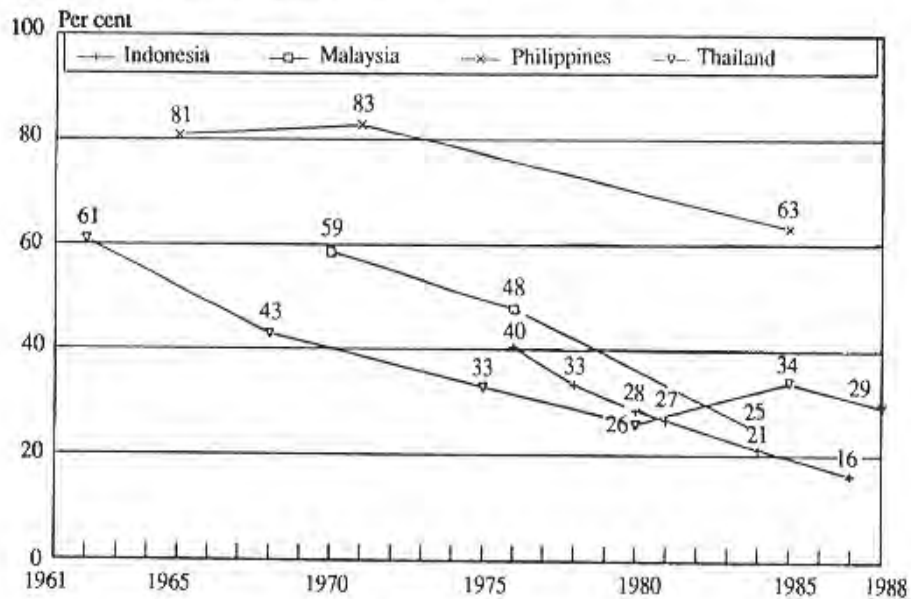


FIGURE 6

Rural Poverty in ASEAN: Per cent of Rural Population Below the Poverty Line

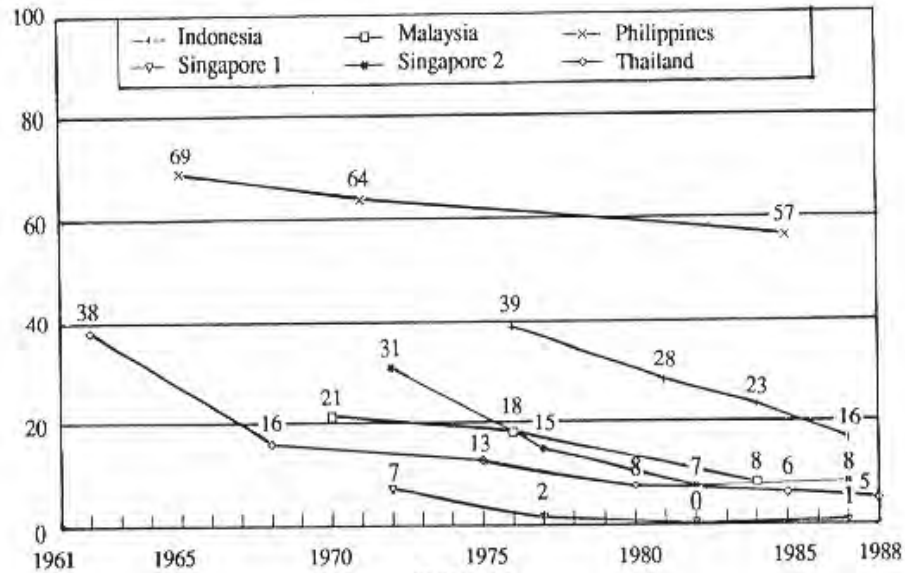


FIGURE 7

Urban Poverty in ASEAN: Per cent of Urban Population Below the Poverty Line

Singapore 1 = Extreme Poverty, Singapore 2 = Moderate Poverty.

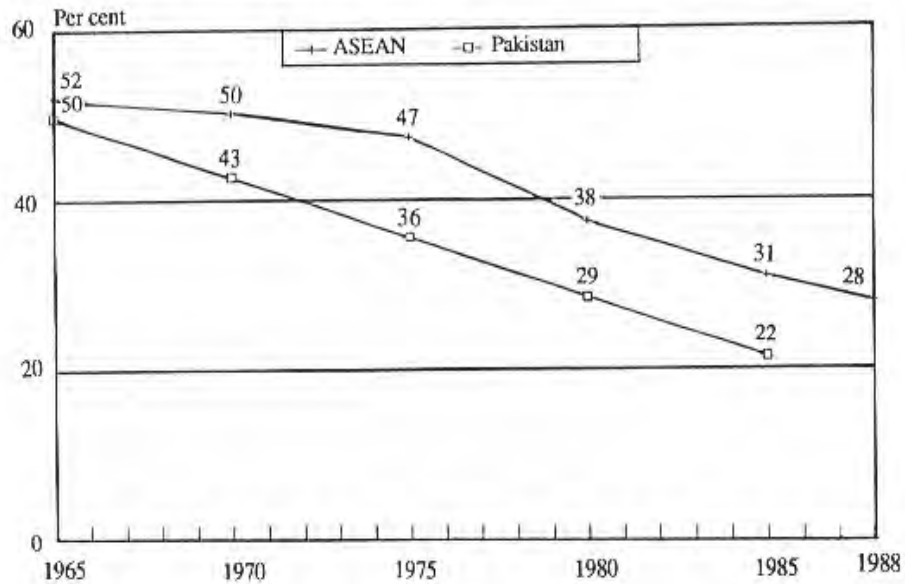


FIGURE 8

ASEAN and Pakistan: Incidence of Poverty 1965-1988 per cent of Population

government domination of the private sector. This is, of course, not a rigorous proof of the direction of causation, but it strengthens the view that structural adjustment in Southeast Asia has not only benefited the already privileged sections of the society, but has also had a beneficial impact on the poor.

The Absolute Number of Poor

The falling incidence of poverty in percentage terms does not tell us whether the absolute number of people below the poverty line has also fallen, since population growth may more than offset the reduction in the incidence of poverty, in which case the actual number of poor would still be rising. Therefore, we now turn to the absolute number of poor in ASEAN countries and the changes over the last decades. Figure 9 present the total population below the respective poverty lines of four ASEAN countries. (The number of poor in Singapore is far below the scale of the figure, making the slice for Singapore insignificantly thin).

In the decade between 1965 and 1975 the absolute number of poor in ASEAN continued to rise, while thereafter there has been a significant fall from the high of 102.5 million in 1975 to 83.2 million in 1985. The fall in the three years to 1988 has been negligible at 82.6 million, a fact that could be due to the recession in the mid-80s leading to an increase in the number of poor in Thailand and particularly the Philippines. The most remarkable development has been the reduction of poverty in Indonesia. The largest country in ASEAN now has less people below the poverty line than the Philippines, which in terms of population is roughly one-third the size of Indonesia. It is hard to escape the conclusion that these developments are linked to the strong growth performance in Indonesia on the one hand, and the stagnation of the economy in the Philippines on the other.

Again, this invites a comparison with Pakistan. If Pakistan's (assumed linear) reduction in the incidence of poverty is combined with population statistics, we can calculate the absolute number of poor in Pakistan during the relevant period. This has been done in Figure 10, which presents a comparison of poverty in ASEAN and Pakistan in the last decades.

The fixation on poverty levels and poverty numbers sometimes leads to despondency, often finding expression in a rejection of the economic system that draws its dynamism from the pursuit of greater wealth by those who are already comparatively rich. The system has failed, we hear, because it has not done enough for the poor, while pampering those who are already well off. But the focus on the poor may blind us to the achievements of the economy in reducing poverty. For this reason, it is useful by way of comparison to look at the increase in the number of people above the poverty line. This is done for the ASEAN countries and Pakistan in Figure 11.

Figure 11 clearly shows that the number of persons absorbed into the economy above the poverty line has been substantial and growing over the years both in the

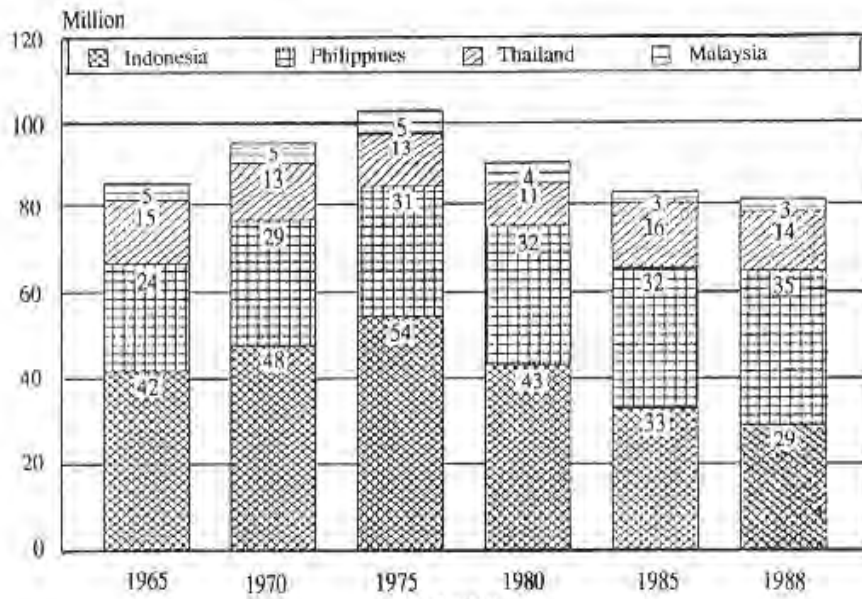


FIGURE 9

Poverty in ASEAN: Total Population Below the Poverty Line

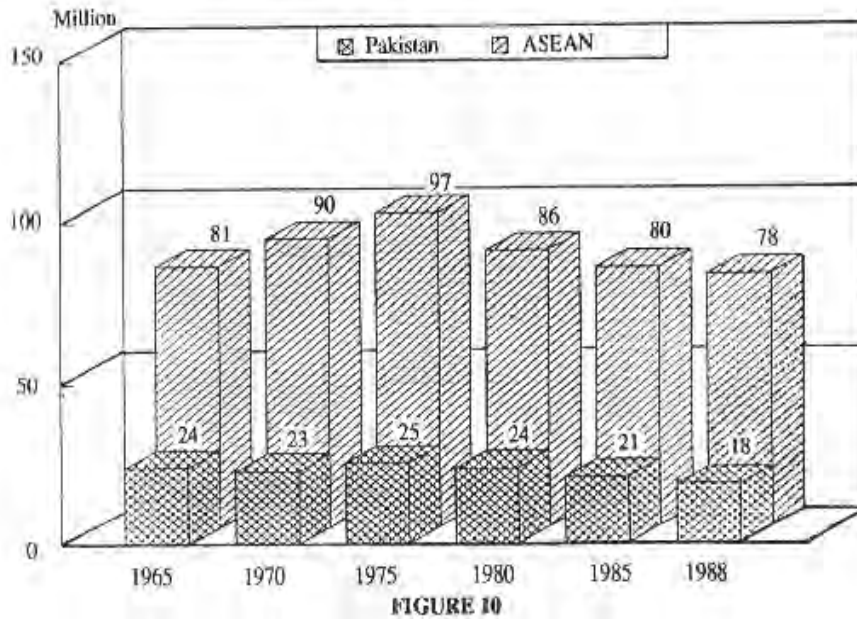


FIGURE 10

ASEAN and Pakistan: Total Population Below the Poverty Line

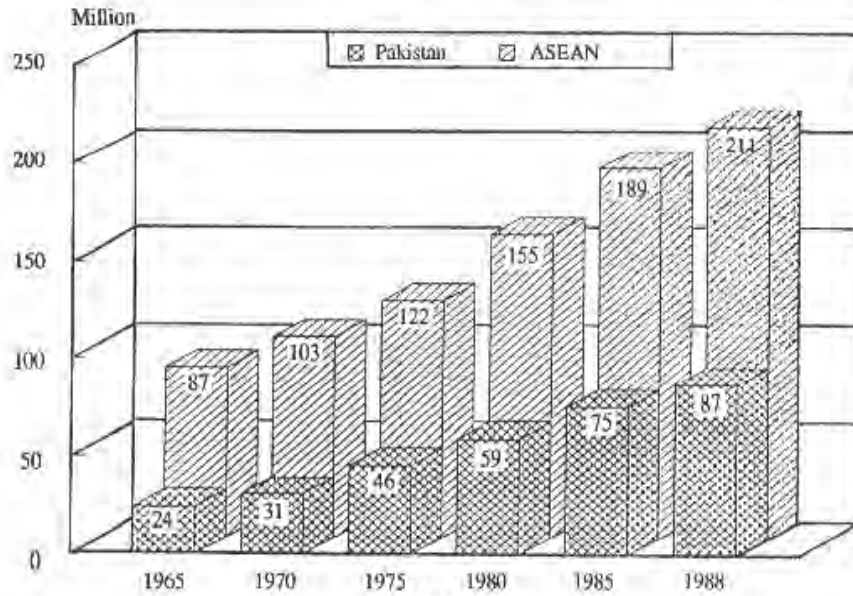


FIGURE 11

ASEAN and Pakistan: Population Above the Poverty Line

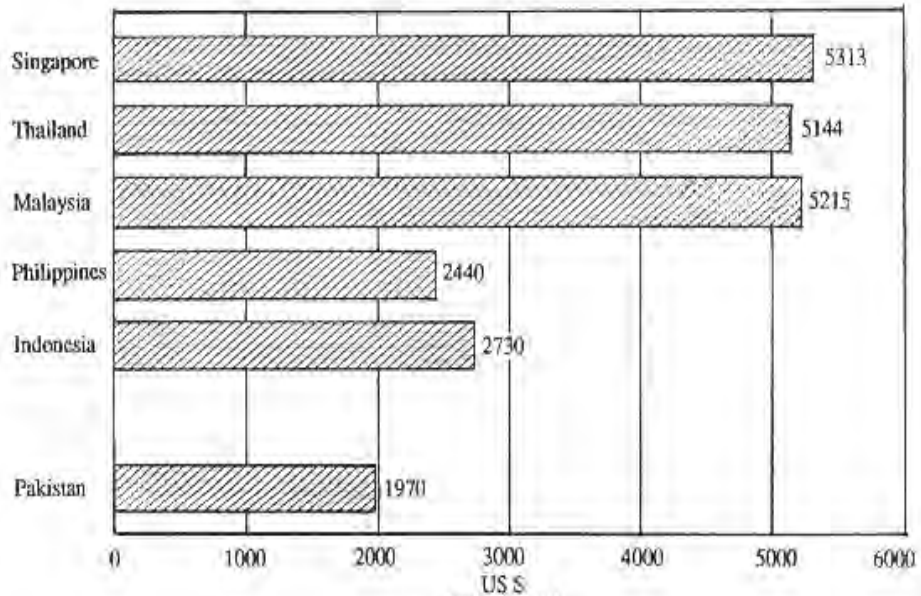


FIGURE 12

ASEAN and Pakistan: Adjusted Real GDP Per Capita 1990

Source: UNDP, Human Development Report 1994.

ASEAN and Pakistan. This would not have happened in the absence of economic development. It is all too easy to blame growth strategies for not having eradicated poverty completely, but the suggestion that the situation has been getting worse rather than better is not in line with the facts. Of course, our figures say nothing about the state of "near poverty" of those just above the poverty line, or of the degree of wealth of those at the top. But it is plainly incorrect to say that development has benefited only the rich. It has benefited many who would otherwise be poor today.

Human Development

The United Nations Development Programme has attempted to go beyond the GNP per capita figures by introducing a composite indicator of development performance, the Human Development Index. The indicator combines measures of health, education and income. With regard to income, GDP per capita figures are adjusted for the fact that official exchange rates hide the differences in domestic purchasing power of national currencies. The Human Development Index adopts the Purchasing Power Parity GDP figures instead. This raises the per capita GDP figures of most ASEAN countries and Pakistan quite substantially. On the other hand, income above the poverty line is discounted because of its diminishing marginal utility. This substantially reduces the valuation of high per capita GDP of richer nations, to which Singapore now belongs. The adjusted real GDP per capita figures for ASEAN countries and Pakistan are presented in Figure 12.

The adjusted figures for Indonesia and Pakistan are more than four times higher than the unadjusted per capita GDP rates taken from the World Bank Development Report quoted in Table 2. There are also large adjustments in the figures for the other ASEAN countries, although the ranking remains almost the same (Indonesia and the Philippines switch places). The interesting thing to note about the adjusted GDP figures is that the Philippines, on this score the poorest of the ASEAN countries, has on average, about 25 per cent higher real incomes than Pakistan.

In addition to economic performance, however, it is important to look at the other components which according to the UNDP programme, are constituents of human development: "Human development is a process of enlarging people's choices. The most critical of these wide-ranging choices are to live a long and healthy life, to be educated and to have access to resources needed for a decent standard of living." The first of these components is measured in terms of life expectancy at birth, and this is presented for the ASEAN countries and Pakistan in Figure 13.

It comes as no surprise that the ranking of ASEAN countries is closely correlated with per capita income. If Pakistan were able to achieve the life expectancy associated with Indonesia's per capita income, this would be equivalent to over seven million lives of 62 years average length!

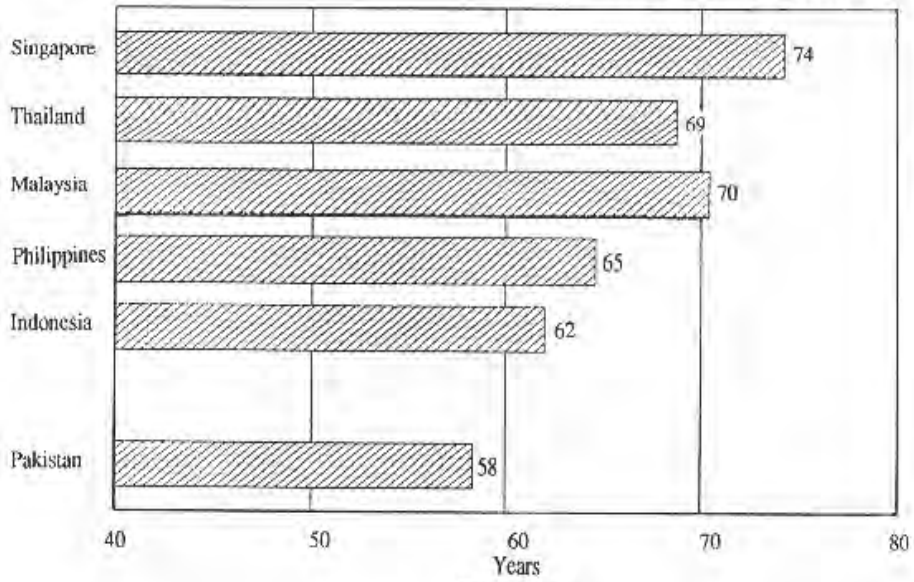


FIGURE 13

ASEAN and Pakistan: Life Expectancy at Birth

Source: UNDP, Human Development Report 1994.

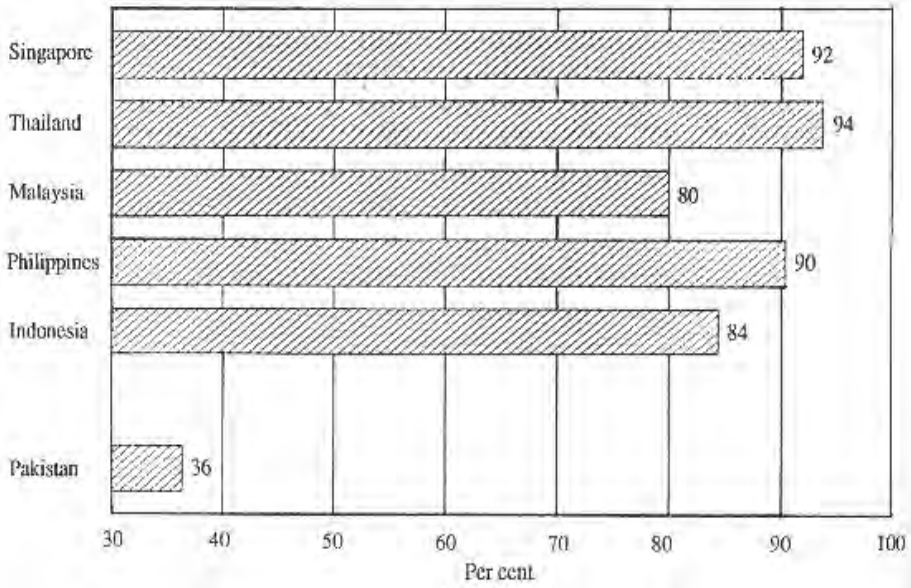


FIGURE 14

ASEAN and Pakistan: Adult Literacy: Per cent of Population Aged 15 and Over

Source: UNDP, Human Development Report 1994.

Educational attainment is both an input to human development as well as an output of the development process. The index of educational attainment is constructed from two components, separately weighted. Two-thirds of the weight are placed on adult literacy, while the remaining third is placed on the mean years of schooling in each country. The values for adult literacy are presented in Figure 14, those for the mean years of schooling in Figure 15.

There seems to be no clear correlation between the mean length of schooling on the one hand and the level of adult literacy on the other. If Singapore can attain high levels of economic development with the same length of schooling as Indonesia, while the Philippines, with almost twice the average schooling input, remains the problem case within ASEAN, then the role of education in development obviously needs some other criteria. The quality of education may be one, but over-qualification of students who then remain unemployed may be another. In fact, the Philippines has a gross tertiary enrollment ratio of 27 per cent, which is one of the highest in the world. By contrast the ratio for Thailand is 16 per cent, while that for Malaysia and Pakistan are 7 per cent.

Although the relationship between mean years of schooling and development particularly at levels over 4 years, remains unclear, it seems safe to conclude that primary education is of greatest importance for development. In fact, primary education should be seen as a public investment – in contrast to higher education, which could be viewed as a private investment. (Ruling elites, unfortunately, often prefer to subsidize higher education, from which their own children are likely to profit more).

The very low levels of literacy and mean years of schooling recorded for Pakistan seem to indicate an area requiring urgent attention. The importance of education for development has now been widely recognized in many developing countries which have taken steps to improve literacy levels of both sexes. An indication of the importance given to this aspect of development is the comparison of current literacy levels with the literacy rate of children aged 15 to 19 years. This data is provided for the ASEAN countries and Pakistan in Table 3.

Table 3 also indicates that, in comparison to ASEAN countries, the intake at the primary level is low, and that of the 77 per cent enrolled less than half actually finish primary school. It is hard to see how literacy of 50 per cent of the age group between 15 and 19 can be maintained, if full literacy requires the completion of primary school.

A further worrying fact is that the proportion of women receiving education is low in Pakistan. The literacy rate of women in the age group 15-24 is 25 per cent in Pakistan, whereas in the ASEAN countries it is over 80 per cent (Indonesia 82, Philippines 92, Thailand 96, Malaysia 83, Singapore 96 per cent).

By combining the three main indicators – life expectancy, educational attainment and (adjusted) GDP per capita – the UNDP constructs the Human Development Index. The index is arbitrary to the extent that it gives the three main

TABLE 3

Education Performance of ASEAN Countries and Pakistan

	Adult Literacy (%)	Literacy of Age Group 15-19	First Grade Intake (%)	Per cent of Intake Com- pleting Pri- mary Level
Singapore	92.0	n.a.	n.a.	100
Thailand	93.8	99	85	87
Malaysia	80.0	94	88	96
Philippines	90.4	96	100	70
Indonesia	84.4	95	100	77
ASEAN*	87.1	96	97	79
Pakistan	36.4	50	77	48

Source: UNDP, Human Development Report, 1994.

*ASEAN weighted average excludes Singapore.

components equal weight, but even so, it does permit a preliminary ranking of countries on the basis of development criteria other than mere incomes per capita, and allows for progress over time. The Human Development Index for ASEAN countries and Pakistan is presented in Figure 16.

Although per capita income has a weight of only one-third and has been heavily adjusted to reduce exchange rate distortions among countries, the strong correlation between income, that is economic growth, and the Human Development Index is quite evident. The UNDP places countries with a Human Development Index above 0.8 – that is Singapore – in the category of “high human development”. Those below 0.8 but above 0.5 are classed as “medium human development”, and this applies to all the other ASEAN countries. Countries below 0.5 – that is including Pakistan – are categorized as having “low human development”.

Conclusions

The conclusion to be drawn from this analysis is by no means that poverty alleviation programmes and poverty oriented policies are unnecessary. As has been shown, poverty remains a problem even in rich countries. Rather it is the recognition of the fact that such poverty oriented activities cannot be a substitute for economic

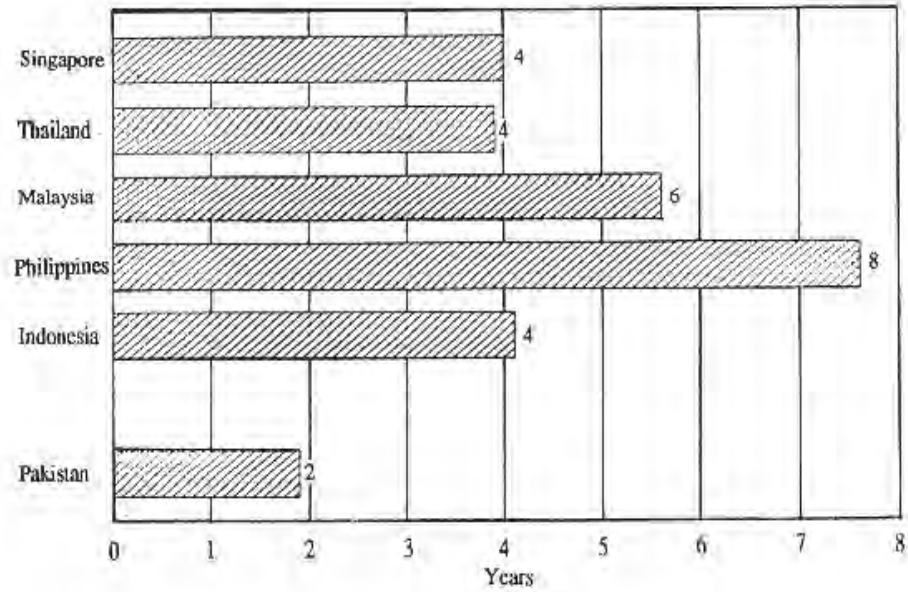


FIGURE 15

ASEAN and Pakistan: Mean Years of Schooling

Source: UNDP, Human Development Report 1994.

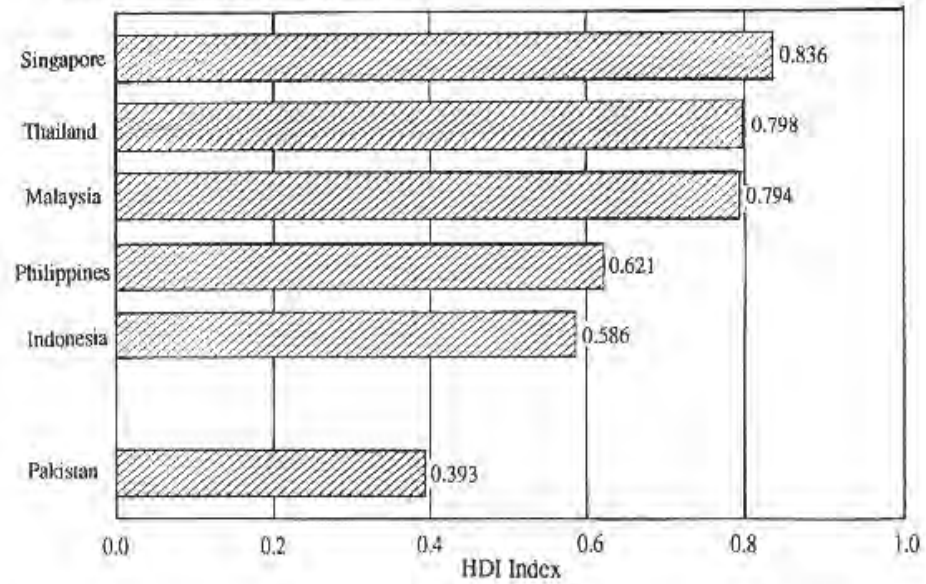


FIGURE 16

ASEAN and Pakistan: Human Development Index

Source: UNDP, Human Development Report 1994.

growth, in fact, they cannot be sustained in the absence of growth. Of course, economic growth can take many forms, and sometimes it is slanted heavily in favour of those who are already well off.

But if growth is healthy and sustained in an economy with an efficient price structure, it will affect the poor in a variety of ways: First, the rich will spend more on products produced by the poor. Second, investments will become attractive that increase employment opportunities for those outside the modern sector. Third, increases in fiscal revenues will permit government to do more for the poor in terms of providing physical and social infrastructure, including education and health facilities. Fourth, the provision of infrastructure will again provide jobs into which the poor can be gradually absorbed. All this is a dynamic process dependent on a rate of growth that needs to be consistently above four or five per cent every year. Anything below this is likely to be mopped up by the rich without much percolating down to the poor.

Economic growth is not a matter of fate or of natural resources but of policies which get the prices of resources for potential producers and investors right, which further the development of human resources, and which free the individuals from the fetters of licensing, red tape and government control so that initiatives and enterprise can be directed towards making goods people need and want rather than towards directly unproductive rent-seeking activities. It requires openness to international competition by permitting international trade and the inflow of foreign investment capital.

The ASEAN countries on the whole have recognized this and have made substantial headway towards gradually solving the problems of poverty, although much still remain to be done. They have recognized that the role of governments should not be to engage in industrial activity or in deciding things the businessmen are better at, but to provide physical and social infrastructure, roads, communications, energy supply, education and health services and to set the framework within which the economic forces can operate. Governments in Pakistan have recognized this too. They have embarked on ambitious restructuring and privatization programmes to release the economy from excessive government control.

The prosperity achieved by many developing countries in Asia, and also in other parts of the developing world, would have been unimaginable fifty years ago. The standard and the quality of life of the citizens in these countries can be explained neither by their natural resources or their domination of other countries. It is explained by sustained efforts at improving the quality of human resources, by policies that encourage investment and place a premium on efficiency, and a sustained thrust towards international competitiveness.

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