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WHAT CAN AFRICA LEARN FROM ASIAN DEVELOPMENT SUCCESSES AND FAILURES?

Review of *Africa and Asia in Comparative Economic Perspective*, edited by Peter Lawrence and Colin Thirtle (2001)

Development economics came of age as a distinct field within economics in the 1960s and has always been about narrowing the gap between the world's rich and poor nations. After some 40 years of experience, the single most important empirical reality has been the unevenness of the reduction of this gap. Nowhere is this more striking than when one compares the average performance of Asian and Sub-Saharan African economies. As Figure 1 illustrates, both regions started with similar levels of (population-weighted) per capita incomes in 1960 but find themselves now in a dramatically different situation. While East Asia, as a whole, succeeded in multiplying per capita incomes by a factor of 5 between 1960 and 2000 and has significantly reduced the gap with the rich countries, Sub Saharan Africa as a whole is not much richer than it was in 1960. Meanwhile South Asia overtook Sub Saharan Africa by 1990 and now has about twice its income level. Taking out South Africa, the dominant economy in Africa affects levels of GDP per capita, but not the overall comparisons of growth.

Table 1, which shows the ratio of real per capita incomes in 2000 to 1960 in African and Asian countries, indicates that the distribution of performance within the regions is surprisingly homogenous.[1] In East Asia and the Pacific, eight (out of twelve) countries more than quadrupled their per capita incomes, and only one (the Philippines) had just marginal improvements. In South Asia and the Middle East and North Africa, all countries are clustered around moderate growth levels. In contrast, in Sub Saharan Africa, 27 of 41 countries had shrinking GDP levels or marginal growth. But there is also some striking diversity within Sub Saharan Africa. While the majority stagnated or regressed, three countries (Botswana, Cape Verde, and Mauritius) performed as well as East Asia and a further four (Gabon, Lesotho, Seychelles, and Zimbabwe) had a respectable performance. In education, longevity, or health indicators, the picture is, on the whole, very similar (although more differentiated if one examines individual countries within the different regions (Drèze and Sen, 1989, 1995)).

Note: I would like to thank Mark Misselhorn for research assistance and Lars Osberg for helpful comments and discussion.

[1]An important caveat is that there are a number of countries (typically very poor ones) in both regions for which no data are available—thus they are not included (e.g. Afghanistan, Myanmar, Somalia, Sudan, Iraq). Some nations are also excluded because we only have data for recent years as in the cases of Vietnam, Cambodia, or Saudi Arabia. Including them might reduce the reported homogeneity somewhat. Although using 1960 as the starting point precedes decolonization for a number of African countries, a later starting-point, such as 1965 or 1970, would yield much the same picture, since growth in Africa in the 1960s was not much below other developing regions. The big divergence took place after the mid-1970s.

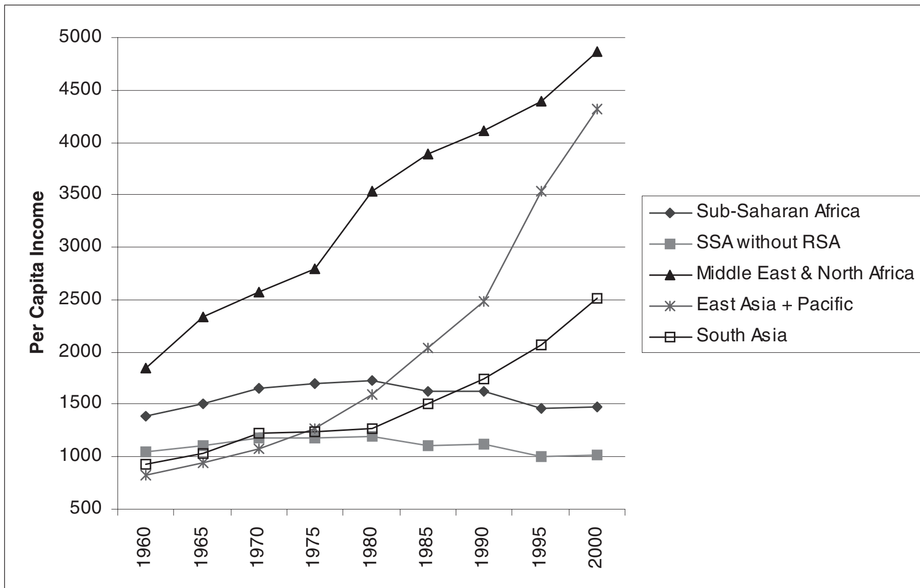

Figure 1. GDP per Capita by Region (1996 intl. $, chain index)

Note: These figures refer to population-weighted GDP per capita in 1996 prices (using the chain index). Due to data availability, not all countries in the particular regions are included. SSA without RSA refers to Sub-Saharan Africa without South Africa.
Source: Penn World Tables 6.1.

TABLE 1

PER CAPITA INCOME RATIO (2000/1960) IN AFRICA AND ASIA

	x < 1	1 < x < 1.5	1.5 < x < 2	2 < x < 4	x > 4
Sub Saharan Africa	16	11	7	4	3
Middle East and North Africa			2	5	
East Asia and Pacific		1	2	1	8
South Asia			2	4	

Source: Penn World Tables 6.1.

The crucial question is why. What are the sources of the differences in economic performance between the regions? And what can account for the diversity within Sub Saharan Africa?

A wealth of studies have attempted partial answers to these central questions, such as World Bank (1993, 1994), Asian Development Bank (1997), Lindauer and Roemer (1994) and Stiglitz and Yusuf (2001), and many more individual papers have highlighted particular aspects of the diverging experience (e.g. Easterly and Levine, 1997; Sachs and Warner, 1997; Bloom and Williamson, 1998; Gallup and Sachs, 1998; Collier and Gunning, 1999; Klasen, 2002). But there are many remaining issues and disagreements, and this review will therefore examine the edited volume by Lawrence and Thirtle (2001), which examines selected issues in comparative economic development between the two regions, to

see whether they help us better understand these drastically diverging development experiences.

A first methodological question is to ask which region should be treated as the aberration. Was East Asian growth a "miracle" that needs an explanation (e.g. World Bank, 1993; Stiglitz and Yusuf, 2001) or was it to be expected given convergence in an integrating post-war and post-colonial world, where trade and factor flows should favor the laggards? Alternatively, is Africa's growth experience really a crisis that needs an explanation or just the normal state of stagnation that has persisted in most of the world for centuries?

If history is any guide and if we can trust the information we have about growth episodes of the more distant past, then it is East Asia's experience that clearly stands out. Nowhere in world history have per capita incomes increased as rapidly for such a sustained period of time as in East Asia between 1960 and 2000 (Maddison, 2000). Stagnation of the sort experienced in Sub Saharan Africa was the norm for most regions of the world until the mid-18th century, and for most of the colonial world up until 1950 (Maddison, 2000). Stagnation and regression, as experienced in many African countries in recent decades, has, however, been an aberration in the post-war world where the majority of rich and poor countries elsewhere achieved sustained per capita growth. Thus both regions represent an aberration from the plausible counterfactual of steady but slow per capita growth. The book under review clearly recognizes this issue, although it talks more about the lessons from high growth Asia than about poor average economic performance or the high diversity in Africa.

A second methodological issue concerns aggregation. While the difference in aggregate performance between the two regions is undisputed, there are still ambiguities. Should one stick to a purely geographical definition? Is it more useful to group nations according to some combination of geography and ethno-religious factors as in Figure 1?[2] Why lump North Africa with Middle Eastern countries? Where to draw the lines between South Asia, the Middle East, and East Asia?

Figure 1 and Table 1 suggest that, apart from the considerable diversity within Sub Saharan Africa, the regional aggregations seem to "work" in the sense that the inter-regional variation in economic performance is much larger than the intra-regional performance. But a critical task of any comparative analysis is then to be explicit about any economic rationale for such aggregations. The World Bank Study on the East Asia Miracle (1993) defined a group of countries as High Performing Asian Economies (HPAEs) which stretched from Japan and Korea in East Asia to Indonesia in South East Asia but excluded the Philippines, China, Vietnam, Cambodia, and Laos.[3] This aggregation was justified on the basis of alleged similarities in economic policies adopted by HPAEs. The study on

[2]The regional aggregation in Figure 1 is based on the World Bank's classification which divides the developing world into five regions based on a mix of geographic and ethno-religious considerations: Middle East and North Africa (Muslim and mostly Arab), Sub Saharan Africa (black African countries in the Sahel and South of the Sahara), Latin America and Caribbean (all developing countries of the Americas, i.e. except Canada and the U.S.), South Asia (from Afghanistan to Bangladesh) and East Asia and the Pacific (all East and South East Asian countries excluding Japan).

[3]Curiously, I have not come across the reverse aggregation, i.e. grouping worst performers together, e.g. the worst performing African economies, which would also be an instructive exercise as much could be learned from analyzing poor performers.

Sub-Saharan Africa (1994), also differentiated within Africa between those with large or little improvement in economic policy. Both of these typologies are open to challenge as often the aggregation is (implicitly and sometimes explicitly) based on ex post economic success or failure. Researchers who focus more on the importance of geography and proximity for economic development (e.g. Asian Development Bank, 1997; Gallup and Sachs, 1998), use different aggregation rules that emphasize climate and location (particularly coastal access and distance to world markets). While useful in some respects, it tends not to be able to explain intra-regional diversity very well, especially in Sub Saharan Africa.

An older tradition attempted to explain differences in economic performance with cultural and religious differences (e.g. Weber, 1930; Huntington, 1985), and there have been recent debates about the economic success of so-called "Asian values."[4] This would call for aggregations related to religious and cultural similarities. But such approaches have often generated more heat than light and often had to revise their views about the economic success and failure of certain cultures or religions in light with the rapidly changing economic fortunes of different regions.

Lastly, a recent literature has examined the effects of colonial experience on institutions, which in turn are held to have shaped economic development (e.g. Acemoglu *et al.*, 2001). While this is clearly useful in taking a historical approach to economic development and in openly discussing the differing colonial legacy of many developing countries, it remains to be seen whether this type of aggregation will survive closer scrutiny.

The volume by Lawrence and Thirtle has the merit that many of the authors of the different papers work with different aggregations and also try to explain intra-regional variation as much as inter-regional. For example, Booth examines differences between and within fast growing South-East Asian countries on the one hand, and Korea and Taiwan in East Asia on the other. Armstrong and Read examine the performance of micro states (less than 3 million inhabitants) across the regions, and the chapter by McGillivray tries to distill lessons for Africa from a poorly performing East Asia economy, the Philippines. Unfortunately, these different aggregations and comparative assessments are done in a highly selective manner, so the reader does not get a clear picture of the differences between and within regions that are to be explained. A synthetic chapter that would have outlined these differences at the start of the book would have nicely set the stage for the more specialized analyses later on. Also, the book is largely silent on the rationale for chosen aggregations and comparisons. So we are left with a motley of interesting partial comparisons of individual countries and aggregated regions without getting a clear theory of why these comparisons and aggregations are useful to begin with.

The chapters of the book are based on a conference that took place in 1998 entitled "Is Africa different from Asia?." Although the introduction provides a useful guide to the chapters that follow, it insufficiently places the book in the context of the existing literature on Africa-Asia comparisons and fails to clarify the main purpose of the analysis and the proposed contribution of this volume.

[4]For a critical discussion, see Sen (1998).

The following five papers examine the lessons for Africa from Asian success stories. Booth compares the performance of East and South-East Asian countries, pointing out that Taiwan and Korea were "blessed" by low inequality and by higher standards of education in 1960 (which the South-East Asian countries only attained much later). Both had significant impacts on further developments in inequality and on the ability of the rural population to benefit from the growth of manufacturing. The growth of off-farm rural incomes in Taiwan was particularly impressive—a factor which allowed for a much faster transition out of agriculture than elsewhere. In fact, as Lindauer and Roemer (1994) stressed earlier, it appears that Sub Saharan African countries probably have more to learn from the South East Asian economies which are more similar to their own in a range of initial economic and demographic conditions, but still managed to perform very well.

Morissey's chapter examines policy-making in East Asia and its lessons for Africa. The successful macro and accumulation-oriented policies in East Asia and the high state capacity that was able to design and implement a development-oriented interventionist agenda is already widely known, but there is also a nice table in the paper that compares the policies adopted by the highly performing Asian economies (HPAEs) and the policies advocated in Structural Adjustment Loans by the World Bank and the IMF in African economies.

While both policy regimes agreed on macroeconomic stability as a critical policy focus, the HPAEs were little concerned, particularly until the 1990s, with privatization and public enterprise reform, industrial deregulation, or financial sector liberalization—all of which were common conditions in Structural Adjustment Programs. Instead, the HPAEs engaged in directed credit, worked on maintaining relative equity in income distribution, and had implemented land reforms, all of which are absent in the Structural Adjustment Agenda. The much greater success of HPAE economic policies *vis-à-vis* Structural Adjustment Programs seems to support the claim by Stiglitz (2001) and others (e.g. Mkandawire and Soludo, 1999) that Structural Adjustment Programs had too much emphasis on unleashing market forces, and too little on equity and effective state-led development. These shortcomings are likely to have contributed to the generally poor performance of adjustment programs in Africa in past decades. It appears that this is also increasingly recognized within the World Bank although neither here nor in recent World Bank documents about the importance of equity for growth is much said about how one can actually achieve greater equity (e.g. World Bank, 2000; Klasen, 2003). Knowing that most Asian countries benefited from low inequality and also recognizing that inequality, high or low, has remained fairly stable in developing countries in recent decades (Deininger and Squire, 1998) begs the question how a high-inequality country is ever to reduce inequality to reap these benefits. In my view, this remains one of the big unanswered policy questions for development economics, particularly for Africa and Latin America.

Smith's chapter on Uganda, hailed by many as Africa's star performer for successfully following the prescriptions of the Washington Consensus, also gives reason for pause. While showing that Uganda's growth performance under structural adjustment after 1987 matched those of Singapore and Hong Kong in the same time period, the limits of growth based mostly on economic recovery, primary exports, aid flows and macro stability are rapidly approaching. Uganda's

very poor human capital, its very low savings rates, its undiversified economy, and its poor infrastructure will militate against a take-off similar to East Asia. A strong and effective state will be needed to tackle those issues.

The Philippines is a particularly interesting case since it is the one outlier in East Asia in Table 1. It has experienced slow growth (and has implemented Structural Adjustment Programs (SAPs)). However, McGillivray's paper examines a much narrower question, namely the impact of aid flows associated with SAPs on potentially undermining the goals of the SAPs, which were to improve fiscal discipline, raise public investment, and increase the tax base. Using a time series econometric model of the impact of aid flows on these variables, he concludes that the increased aid flows associated with SAPs might actually undermine progress on the three fiscal goals mentioned above. Since Mosley *et al*. (1995) and others have also concluded that tying aid to policy reform often leads to incomplete implementation of reforms, this paper provides further evidence that such a quid quo pro can be counterproductive. Unfortunately, it says little about what else we can learn from the poor performance of the Philippines or what might have caused these unintended consequences.

Messkoub's chapter examines lessons of an ageing population for Sub Saharan Africa. While eventually this will be an issue for Sub Saharan Africa to tackle, it is rather peculiar that this issue is discussed while much more immediate demographic issues in Sub Saharan Africa, particularly the high fertility rates and thus the still very young population, or the demographic and economic impact of the AIDS pandemic, receive no attention in this volume at all.

Before ageing will become a problem, a more promising episode, called the "demographic gift" by Bloom and Williamson (1998), will occur. During the period where fertility decline has reduced the young population and the old population still makes up a small share, the working-age population has a particularly high share—with positive economic benefits for savings and investment rates. In fact, Bloom and Williamson argue that the Asian miracle in the 1970–90s was to a considerable extent driven by this temporary demographic gift, which is now being rapidly replaced by the demographic burden of ageing populations in Asia. One would hope that Africa will similarly be able to capture these benefits and then make the necessary preparation for the ageing of the population—but this will not become an issue until the middle of this century.

Part II of the book collects an assortment of individual papers that tackle selective issues under the heading African and Asian Development Comparisons. Kirkpatrick, Richards, and Watanabe's paper on regionalism in Africa and Asia is a useful reference reading since regional integration has largely been unsuccessful in Africa, while it appears to have been more successful in Asia. Despite this, there is growing interest in regional integration in Africa. The chapter rightly emphasizes that the Asian model of regional integration cannot readily be transplanted to Africa, but one is left to wonder how important regional integration was for Asian economic success and to what extent the regional linkages we see are the result of state policies. Linking the debate to regional integration explicitly to the question whether this might be the key to the relatively homogenous successful performance in East Asia, as discussed above, would have been particularly useful.

Armstrong and Read's chapter on the performance of micro states is one of the papers that takes a refreshingly unfamiliar perspective to the comparison of Asian and African economies. A distinct feature of Africa is the large number of countries with very small populations. However, the authors demonstrate that Asia actually has many more micro states, particularly if one considers the many Pacific Island nations. Asia has a distinct bimodal distribution of population sizes with about 10 population giants, and about 30 population dwarfs, while the distribution of population sizes in Africa is much more continuous. Moreover, in Asia many micro states are islands, which is not the case in Africa. Lastly, micro states are not only small, but little data is available for them—necessitating some heroic assumptions and different econometric techniques for analysis. The particular economic challenges faced by micro states include an inescapable lack of diversification, dependence on international trade (with associated volatility), and high transport costs. On the other hand, micro states might have the advantage of being able to specialize in niche markets such as tourism or financial services and might benefit from relatively close-knit societies.

The paper then examines empirically the economic performance of micro states, with some interesting results. Micro states have lower GDP per capita if they are located in a poorer region or surrounded by many other micro states, are an island, are a dependent territory rather then sovereign country and if they heavily depend on agriculture, while they do better if they rely on tourism, financial services, or natural resource exports. Regional dummy variables then do not further add to the results, suggesting that the different performance of micro states in Africa and Asia is adequately captured by other variables in the model. But the region variable, which represents average GDP of the region, does implicitly take the function of a regional dummy variable, so that it is unclear whether African micro states do worse because they are surrounded by poorer neighbors or whether they do worse because some factor in African micro states leads to their poorer performance. One must also mention the unresolved issues of endogeneity in this analysis which nevertheless provide a interesting angle on a group of clearly under-researched countries. However, one is also left with the question of why most of the few economic success stories in Africa happen to be micro states (e.g. Botswana, Mauritius, Lesotho, Gabon, Seychelles, and Cape Verde).

Bhalotra and Hardy examine child labor activities and their determinants in Pakistan and Ghana using two living standard measurement surveys. They find high child labor rates on family farms and in the household, but relatively little child labor outside the household, with rates being higher in Pakistan than in Ghana. While this chapter nicely demonstrates that the determinants of child labor are quite different in these regions, it also shows that higher parental education appears to reduce the incidence of child labor in both countries. However, the rather mixed and often insignificant empirical results make it unclear how to interpret the findings and assess the significance in explaining economic performance between the two regions.

Two chapters look at comparative agricultural performance. Hopkins and Nomer compare African with Latin American agriculture, which actually introduces a new region to the analysis, making it difficult to place in context with the other papers. The main result is quite well-known, namely that African

agriculture has performed very poorly, particularly in per capita terms, over the past 30 years and the comparison with Latin America nicely illustrates this point. Notably, growth in Latin American agriculture was heavily driven by increases in land area, which was largely absent in Africa.

Suhariyanto, Lusigi, and Thirtle compare Total Factor Productivity (TFP) in agriculture between Africa and Asia splitting TFP into technical change (improvements in best practice) and technical efficiency (distance from best practice). While TFP in Asia grew steadily due to improvements in best practice, probably linked to green revolution technologies, TFP in agriculture in Africa regressed steadily, mainly due to a worsening in best practice. When looking at sub-regions however, the picture changes. Southern Africa appears to have had considerable technical changes and high resulting TFP growth, while North and West Africa are largely responsible for Africa's aggregate performance. In Asia, there were more balanced improvements, with considerable technical change but often deteriorations in technical efficiency, which indicates an increasing distance between average and best practice and is likely to be due to slow diffusion of new technologies. Unfortunately, although both chapters contain interesting material, they do not refer to each other.

Lastly, there are two papers on monetary issues. Jha and Saggar's paper investigate demand for money in SADC and ASEAN countries. It econometrically estimates money demand functions and finds that monetary targeting is still possible and useful as the main instrument for monetary policy. While interesting, this paper does not fit very well in the overall already very eclectic approach to comparative Asian and African economic performance—there is no clear link to the central question of the book, the causes for differences in development between and within the regions.

The paper by Ahmad on the role of Central Bank operations in respect to credit to the government in different regions is more relevant. It nicely shows that African central banks do not insure that credit expansion to the government is accompanied by credit contraction to the private sector to ensure macroeconomic stability and low inflation; in contrast, Asian Central Banks appear more successful. An important part of the story is that many governments in Africa demand so much credit from their Central Banks that full neutralization is hardly possible. Growth regressions then show that indeed high credit to the government reduces growth which might nicely explain the common cross-country regression finding that high government budget deficits are associated with lower growth (e.g. Asian Development Bank, 1997).

The final section of the book, entitled Convergence or Divergence contains a chapter by Proff examining convergence and divergence between and within developing regions, particularly focusing on the impact of regional integration. Although this sounds promising, what the paper actually does is use cluster analysis to divide a sample of Latin American, Asian and African countries into various homogenous groups based on a number of economic criteria. While these groupings are interesting as they group countries across continents into clusters, we learn little about what exactly this says about convergence or divergence, or so-called "convergence clubs"—nor is it clear what the economic underpinning of these aggregations really are.

The book lacks a final chapter that tries to distill the research findings—which may be just as well given the very eclectic collection of papers. Despite this, what have we learned here about the central question of the diverging experience of Sub Saharan Africa versus East Asia? What gaps in our understanding remain?

The diverging performance of agriculture is clearly a critical part of the story. The two chapters on that topic nicely demonstrate that Africa did not succeed in technical change nor in increasing exports or land area. Fostering technical change in Africa similar to the success in Asia remains a critical ingredient of a growth strategy with the added benefit that such a strategy would also be particularly benefiting the poor (Klasen, 2003). Second, learning lessons from successes in Africa and failures in East Asia is just as important as the reverse exercise (which is the usual focus of analysis). Third, examining countries with particular constraints, such as micro states, can usefully expand our knowledge about regional performance. In addition, the book nicely illustrates the many angles one can, and probably should, take when examining the diverging experience in development.

However, a more thorough understanding of the critical factors that can explain the large differences in economic performance in developing countries needs to be much more explicit about what one is trying to explain, what economic theories and models are brought to bear on this question, and what types of individual and aggregate comparisons are useful. While this book provides a few innovative angles on differences in development experiences between Africa and Asia, it does not tell a coherent or comprehensive story. What would such a story look like?

My own perspective would begin by summarizing the sizable differences in initial conditions, in economic and political constraints, in institutions, and in accumulation behavior between the two regions. The large literature on cross-country regressions provides a useful starting point. Then it would be useful to focus on specific issues of policy and performance in individual countries or regions and clearly link these stories to the open questions emanating from existing literature. Apart from the angles taken in this book, I would suggest four issues for investigation that may play an important role in explaining the diverging experiences.

The first is the linkage between colonial heritage and institutional development in the different regions. Acemoglu *et al*. (2001) and Englebert (2000) are suggestive in this regard, but much more work is needed to fill in the details in these rather aggregative analyses by explicitly linking colonial policies to post-colonial practice, and resulting development outcomes. Moreover, it is crucial to also tell convincing stories of successful institutions and development outcomes in some African countries (e.g. Botswana and Mauritius).

A second direction of further research is to think harder about the regional dimensions of economic development. To what extent are individual African countries held back by being located in areas that are far from world markets, but close to collapsed states or countries in conflict? Conversely, is the success to some East Asian countries just due to their location in the "right" part of the world? Economic geography and spatial econometrics might provide some clues on this critical question.

Third, to what extent does success and failure in development depend on getting everything roughly right rather than getting some things perfectly right while neglecting others? Kremer (1993) proposed a model where development is driven by strong complementarities. While this is a suggestive theoretical approach and the literature on policy reforms and their sequencing provide other useful starting points, there is also ample scope for more detailed cross-country work and country-case studies to rigorously test this theory.

Lastly, African development has been more influenced by external factors and interventions than any other regions. The colonial heritage left a poorly developed physical and human infrastructure, a foreign-dominated formal sector and a primary-export oriented economy dependent on economic conditions and market access in rich countries. In the post-colonial world, Africa has been at the receiving end of more external advice and externally-driven policy conditions than any other region. Strong aid dependence and the debt crisis has strengthened the influence of external advice and conditions. To make matters worse, the nature of advice has shifted radically over time, often leading to complete reversals of policy advice. While it is now recognized that sometimes the advice was misplaced and the approach to force policy-change through conditions was not helpful (e.g. Mosley *et al*., 1995; Mkandawire and Soludo, 1999), the full effect on economic development of this heavy dose of changing external policy advice has yet to be fully understood.

Stephan Klasen
University of Munich

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