

One

East Asia's Road to High Growth

AMONG THE few countries that have overcome underdevelopment, eight East Asian economies—Japan, the Republic of Korea, Taiwan, Hong Kong, Singapore, Thailand, Malaysia, and Indonesia—stand out because of their unusually rapid growth. Their dramatic success is frequently attributed to the adoption of appropriate economic policies. But their policies would not have worked unless each country's populace believed that the policies could be sustained and by implication that some of the benefits would be available to all.

Introduction

Regime leaders in the high-performing Asian economies (HPAEs) understood that the challenge of economic growth required the coordination of expectations of different sectors of the population. [They responded to this challenge by collaborating on the design of institutions that spread the benefits of growth-enhancing policies widely, made the reversibility of the policies costly, and consequently, gave individuals and firms confidence that they would share the growth dividend.¹ This assurance, in turn, mitigated opposition to the policies and created a sociopolitical environment conducive to sustaining economic growth. Divisive methods for growth that would have favored one group over another would have undermined the cooperation needed to politically sustain rational economic policies.]

The solution, embodied in the principle of *shared growth*, incorporated

1. The question of whether the policies that the East Asian high performers adopted were conducive to stimulating economic growth is not discussed here. See the World Bank (1993a); Oshima (1993); Wade (1990); Amsden (1989); Hughes (1988).

two themes. First, the business community was courted to build a dynamic industrial base. Second, the wider population was given opportunities to reap long-term, lasting benefits from the resulting economic expansion. The benefits to the regime of enforcing this bargain have been considerable.

Sharing gave the less fortunate a stake in the economy, thereby discouraging disruptive activities and diminishing the risk of regime failure. It also enabled the regimes to concentrate on promoting rational economic policies by reducing the need to constantly contend with issues of redistribution: when everyone starts out under less disparate conditions, there will be less concern with choosing policies strictly for their distributional consequences. Growth-promoting policies were made more durable over the long term and more credible to the business community. Shared growth resulted in broad support for the regimes. The regimes, then, could avoid standard interest group pressures to provide special privileges and thus could mitigate capture by narrow interests.² A virtuous circle was ultimately affirmed: investment increased, spurring growth and higher real incomes, which reinforced the credibility of the regime, further stimulating investment and economic expansion. If the commitment to sharing faltered, the regimes, in need of support, might have had to respond to the demands of interest groups for advantages, or worse, insurgent movements might have gained support. A vicious circle of decay could have materialized instead.

A geopolitical environment characterized by the high risk of insurrection explains the urgency of finding a cooperative solution to economic growth in East Asia. With Maoist China, and to some extent the former Soviet Union at its back door, rulers in the high-performing Asian economies could not afford to ignore the dangers of unrest leading to insurgency among the less fortunate members of the population. The Korean War, the war in Vietnam, and the widespread appeal of militant

2. For example, broad-based social support allowed the governments of the Republic of Korea and Japan to ignore radical labor union demands without the risk of regime failure. By appealing to a broad constituency, the goal of growth enhancement dominated the selection of economic policies. As long as the benefits of that growth were perceived to be widely distributed, the government could resist buying the support of organized labor with privileges that could restrain overall productivity. Concessions to radical segments of labor could be resisted by offering the benefits of growth to the working population (broadly defined).

socialism highlighted the importance of finding a solution to the region's economic backwardness, from which everyone could benefit.

The ability of a regime to stay in power depends in large part on its legitimacy. If it is to remain in power, a regime must be able to justify why it should rule and not others. Leaders in East Asia's high performers chose to do so by promoting economic growth and having the proceeds of growth filter down to the general population. Broadly similar historical circumstances led each regime to pursue shared growth as a strategy for legitimating its rule. The threat of communist takeover, made credible by a successful peasant-based communist revolution in China, induced regime leaders to pay close attention to the needs of the rural poor and the working class. The leaders recognized the importance to their survival of improving the living standards of the less well-off. But they also recognized that they could not do so without expanding the economy since their countries were very poor. They had to stimulate investment and thus address the concerns of the business community.

In Japan, Korea, Thailand, Singapore, Malaysia, and to a lesser extent Hong Kong, committees, often referred to as deliberation councils, are composed of representatives from private industry, the government, academia, and in some cases, the press, consumer groups, and labor. They have facilitated communication between the private and public sectors by offering inputs into the policy process while at the same time providing ownership of policy outcomes.

The councils have been effective partly because of the export orientation promoted by national leaders, particularly in the northern tier countries. This relatively objective measure of economic performance allowed governments to establish contests with rules known to all. To gain access to cheap credit, firms had to increase their market share in the world economy, a yardstick that could not be politically manipulated. Firms could increase their rating only by increasing exports, allowing the private sector to obtain credit on objective criteria rather than by corruption or favoritism.

By giving bargaining power to constituent groups in exchange for information needed to formulate rational economic policies, East Asian rulers reduced the inefficiency of limited communication about policy performance. That failing typically hinders development and ensures the survival of ineffective policies in much of the developing world. Being allowed to share in the growth surplus induced private business

to reveal private information. The arrangement adhered because of the government's implicit commitment to growth. Business sector leaders recognized that regime leadership needed growth to acquire stability. Consequently, the risk of confiscation or ex post expropriation of private sector assets was reduced. Firms could keep the economic profits while leadership gained the political benefits of rapid growth.

Leaders must convince the general population that it will benefit from market-oriented policies. Failure to do so can have several undesirable consequences. Professionals and intellectuals may emigrate, depriving the country of their knowledge and skills. Others, despairing of finding a job in the formal economy, may focus on the less efficient informal sector or, worse, engage in criminal or subversive activities. In these ways, the economy loses valuable human resources. Growth falters, undermining the basis for leadership's legitimacy.

In East Asia's high performers, many wealth-sharing mechanisms were designed to incorporate the wider population into the growth process. Some countries undertook radical land reform, supported by institutions that fostered the prosperity of small- and medium-sized farms. The methods contrasted sharply with the practice in much of the developing world, where governments subsidized urban well-being at the expense of agriculture. In the cities, small- and medium-sized enterprises were also given special support. Seed money from the government funded worker cooperatives. These and other mechanisms gave urban workers opportunities for upward mobility and a stake in the continued success of the economy.

When regime legitimacy depends on keeping promises to share growth, leadership must avoid the logic of allocating public responsibilities to building a political clientele. This requires as a first step signaling commitment to long-term growth in order to persuade public servants that they can reap long-term rewards for continuous good performance. Thus public servants will also be encouraged to use their specialized information and skills to serve the national interest. Once leadership effectively demonstrates its commitment to growth, appropriate incentives increase the likelihood that policies will be implemented effectively. For instance, instead of allocating the spoils of office as booty in exchange for political support, a typical outcome in many developing countries, East Asian leaders built rewards for good performance into the system. They introduced merit-based recruitment and promotion grounded in tough civil service examinations, well-defined career paths

for civil servants, and 'one-way street' retirement schemes, all of which contributed to making a bureaucratic career attractive. Although they established the rules, leaders gave the economic bureaucracy the responsibility and authority to enforce them. And to make officials accountable, the government introduced relatively low-cost means of monitoring their performance. In most of the high performers, the same mechanisms designed to win the consent and cooperation of business groups, the deliberation councils, were used to strike a delicate balance between agency independence and bureaucratic accountability. In the less-advanced high performers, Indonesia and Thailand in particular, constitutionally imposed budgetary controls were introduced to give some protection from political pressure to government agencies responsible for formulating and managing macroeconomic policies. These same measures made agencies accountable for maintaining macroeconomic policies.

Because East Asia was a principal battleground of the cold war, economic failure could potentially jeopardize national sovereignty. Because economic failure could threaten all of the established national interests, leadership was willing to give economic bureaucrats room to maneuver, relatively free of political interference. In contrast, rulers in many other developing countries did not worry very much that economic failure would result in conquest or peasant revolution. As a result, creating a politically neutral sphere for economic bureaucrats to operate was a less urgent goal. By the same token, internal sanctions within the bureaucracy have rarely been imposed for failed policies or policymakers. Such sanctions have not been imposed because the bureaucracy was created to consolidate the rulers' political following. Economic success has mattered less than paying off a coalition to justify some strongman's seizure of power.

A circle of negative policy outcomes results when regimes build their legitimacy by appealing to narrow groups. Such regimes then become the target of other narrow, but excluded, coalitions. This undermines stability. Uncertain about the future, insiders try to gain as much as they can from government office while it is their turn. In this environment, rulers have neither an incentive nor the time to develop a rule-based bureaucracy. Instead, bureaucratic appointments are disbursed to develop a political clientele enriched by corruption and favoritism. When leaders offer access to fees and bribes as a reward to followers, they do not develop institutions to oversee performance. The benefits

gained by regime insiders impose costs on everyone else. To escape, business flees to the informal sector, depriving the regime of a fiscal base, which further increases regime dependence on narrow support from privileged insiders. This inevitably leads to political crises.

The experience of Asia's high performers suggests that by establishing a different pattern of political incentives, government can generate a virtuous circle of policy outcomes. There the various occupational and social subsets of the population benefited by playing according to rules set by the regime. Business stayed largely within the formal sector, greater investment and trade occurred, increasing the resource pool for the state to reward its officials. The key was inducing citizens and government alike to accept smaller returns in the short run in exchange for larger ones over the long term. Once this equilibrium was established, both the population and the officials of the government could identify the state with interests that transcended the individual.

The history of economic development has been one of increasing social inequality during periods of high growth. The East Asian exception to that pattern is rich in implications for both economic history and economic policy. The rise of industrial Asia suggests that the key to uninterrupted growth rests on the regime's ability to reward groups that sacrifice today for greater future gains. This willingness reflects the expectations of constituents concerning the regime's political and institutional capability and durability. Making the promise of shared growth credible allowed East Asian leaders to alter the risk-reward calculations that motivate economic behavior, so that the compensation for taking smaller benefits in the present was greater gains over time.

Yet, when linking the role of East Asian political institutions to the promotion of economic development, many observers link East Asian success to the concentration of power in the central state and tout the regime's authoritarian character as a virtue. Obviously something is amiss in an analysis of the role of political institutions that fails to distinguish the political logic of East Asian success from the economic failures of autocracies throughout the world.³

The role of a "strong authoritarian state" in facilitating this bargain needs to be reconsidered. Hard dictatorial regimes in which policymakers act independently of constituent oversight have rarely generated

3. This view is often reinforced by the standard indexes of political freedom, which correlate the political institutions of the high-performing states in East Asia with known kleptocracies in which rulers act as roving bandits plundering their own populations.

sustained economic growth. An inherent contradiction exists among authoritarianism, investment, and growth. Being above the law, authoritarian regimes can use their power to expropriate the wealth of citizens. This prompts investors to take their investments and expertise elsewhere or to limit investments to short-term projects. Economic growth has been durable in East Asia, as contrasted with autocratic regimes throughout the developing world, precisely because leadership established institutions, rules, and procedures that limited government discretion over economic policy.

One element not captured in the standard analysis is that a change in leadership in most autocracies can reverse the course of development. Typically, the fall of an autocrat results in the radical redistribution of property rights and even the execution of regime leaders and followers. Hence, private sector actors perceive the institutional or policy environment in autocratic regimes to be unpredictable. By contrast, the threat of confiscation and radical redistribution of wealth has not deterred investment in East Asia. The policy environment in the East Asian high performers, even those such as Thailand experiencing frequent coups and political instability, are viewed by multinational business leaders as relatively stable and predictable compared with those in other developing areas. This means we must look to political indicators other than regime type to predict investment in both human and physical capital.⁴

Rapid Growth, Reduced Poverty, and Improved Income Distribution

As already mentioned, rapid growth is generally associated with high levels of inequality, at least in its early phase. First, to generate the high savings rate that is a prerequisite of rapid growth, income, it is assumed, must be concentrated in the hands of the relatively rich, whose marginal propensity to save is relatively high.⁵ Second, Simon Kuznets has suggested that as the labor force shifts from low-productivity sectors to high-productivity sectors, aggregate inequality initially increases substantially, decreasing only later.⁶ Contrary to this conven-

4. See Barro (1991); Alesina and Perotti (1992); Levine and Renelt (1992); Brunetti and Weder (1993).

5. More savings means more funds available for domestic investment.

6. Kuznets (1955).

tional wisdom, in East Asia rapid economic growth has been associated with relatively low and declining levels of income inequality.⁷

Analysis of the high-performing Asian economies has focused on their rapid growth over the past twenty-five years.⁸ Isolated studies on the distributive qualities of growth in a few of these countries exist, but not of the growth-equity nexus for the group as a whole.⁹ The indicators show that the Asian high performers have been unusually successful in distributing the benefits of growth widely.

Growth and Income Distribution: Cross-Country Evidence

The Gini coefficient is the most widely known measure of income distribution. The lower the coefficient, the lower the income inequality. Though its interpretation is straightforward, because of differences in income definitions and survey methodologies across countries, it may not be well suited for cross-country comparisons. Nevertheless, it suggests the relative standings of countries, especially if differences among countries are large. (Based on the index, each of the HPAEs has done reasonably well: their indexes are lower than the average across all countries for which the index is available (table 1-1). Japan, Taiwan, and Indonesia have outperformed every other country.)

When the Gini coefficients and the average per capita growth rate are used jointly as performance measures, the HPAEs (minus Japan) dominate other middle-income countries for which the index is available (1970-90).¹⁰ A scatter plot is depicted in figure 1-1. By construction, countries closer to the southeast corner of the diagram perform better. The HPAEs fall within a small area of the southeast corner (their average GDP per capita growth rates are significantly above the average (indicated by the vertical line) for the sample; their Gini coefficients are below the average for the sample (indicated by the horizontal line).)

The HPAEs' performance improved over time. In the 1970s Malaysia, Thailand, and Indonesia saw their per capita GDP growth rates in-

7. Improved equity is not unique to East Asia. What is unique is the combination of rapid growth with modest (and, in a few high performers, dramatic) improvements in equity and reduction in absolute poverty.

8. See, for instance, Balassa (1988); Lau and Kim (1992); Hughes (1988).

9. See Fei, Ranis, and Kuo (1979) for an economic analysis of Taiwan's approach to growth with distribution and Adelman and Robinson (1978) for Korea.

10. Japan is excluded since it was at the tail end of its rapid growth phase during the late 1960s and early 1970s.

TABLE 1-1. *Gini Index, Period Averages, 1965-90^a*

| Region | 1965-70 | 1971-80 | 1981-90 |
|--|------------|------------|---------|
| <i>High-performing Asian economies (HPAEs)</i> | | | |
| Korea | 0.34 | 0.38 | 0.33 |
| Taiwan | 0.32 | 0.36 | 0.30 |
| Singapore | 0.50 | 0.45 | 0.41 |
| Indonesia | 0.40 | 0.41 | 0.30 |
| Thailand ^b | 0.44 | 0.38 | 0.46 |
| Malaysia | 0.50 | 0.48 | 0.42 |
| Hong Kong | 0.49 | 0.42 | 0.39 |
| Japan | .31 (1965) | .28 (1979) | ... |
| Average | 0.41 | 0.39 | 0.36 |
| <i>Others</i> | | | |
| India | 0.40 | 0.41 | ... |
| Pakistan | 0.37 | ... | ... |
| Nepal | ... | 0.53 | ... |
| Bangladesh | ... | 0.37 | ... |
| Sri Lanka | 0.41 | 0.35 | ... |
| Philippines | 0.48 | 0.45 | 0.39 |
| Argentina | 0.43 | 0.41 | 0.43 |
| Brazil | 0.57 | 0.60 | 0.60 |
| Colombia | 0.56 | 0.58 | 0.51 |
| Chile | 0.50 | 0.53 | 0.53 |
| Mexico | 0.58 | 0.52 | 0.53 |
| Peru | 0.59 | 0.57 | 0.40 |
| Venezuela | 0.52 | 0.53 | 0.44 |
| Gabon | 0.65 | ... | ... |
| Sudan | 0.44 | ... | ... |
| Zambia | 0.49 | 0.53 | ... |
| Kenya | ... | 0.59 | ... |
| Average | 0.50 | 0.50 | 0.48 |

Sources: World Bank, Economic and Social database, Washington; for Latin America, Psacharopoulos and others (1992).

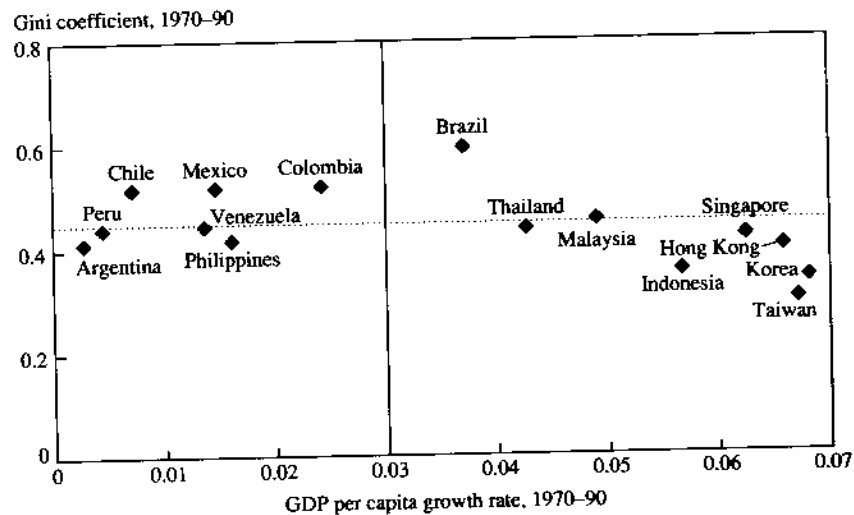
a. Average across all available index values for the period.

b. Oshima's (1993) estimates indicate that the average for 1981-90 may be around .43, and the average for 1965-70, .43.

crease. Except for Thailand, distribution improved for all the HPAEs over the three decades. Thailand's distribution improved from the 1960s to the 1970s, declining in the 1980s.¹¹ Average per capita GDP

11. The government has become concerned about the deterioration in income distribution during the 1980s and has made it a priority issue for the 1990s. The Seventh Five-Year Plan (1993-98) actively addresses distribution and poverty issues.

FIGURE 1-1. Gini Coefficient and GDP per Capita Growth Rate, Annual Average, 1970-90



Source: World Bank, East Asia Miracle database, 1994.

growth rates declined slightly for all countries during the 1980s, partly because of the oil crisis.

Another measure of income distribution is the ratio of the income share of the top income quintile to the income share of the bottom income quintile. Because it gives a better idea of the dispersion of the distribution, it is sometimes preferred to the Gini coefficient. Table 1-2 compares East Asian and other developing countries in economic growth during the period 1960-85 and the ratio of the shares of the top to bottom income quintiles for selected years. On average, the East Asian countries have grown faster and had a far more equal distribution of income than other developing countries. When the East Asian countries are divided into a fast-growing and a slow-growing group, the distribution of income is, again, substantially more equal in the fast-growing group.

The HPAEs' unusually strong association between rapid growth and equity is also supported by a ranking of forty countries in terms of the ratio and per capita real GDP growth. The ranking is based on the Borda method, which allows for ranking under multiple criteria.¹² A

12. See Sen (1973, 1981) for an explanation of the merits of the Borda method.

TABLE 1-2. Ratio of Top to Bottom Quintile and per Capita Growth Rate, Selected Years, 1976-88

| Country | GNP per capita growth (per year) 1965-90 | Year | Income share of bottom 20 percent of households | Income share of highest 20 percent of households | Ratio of top 20 percent to bottom 20 percent |
|--------------------------------|--|----------------------|---|--|--|
| <i>East Asia, fast growers</i> | | | | | |
| Korea | 7.1 | 1976 | 5.7 | 45.3 | 8.0 |
| Hong Kong | 6.2 | 1980 | 5.4 | 47.0 | 8.7 |
| Japan | 4.1 | 1969 | 7.9 | 41.0 | 5.2 |
| | | 1979 | 8.7 | 37.5 | 4.3 |
| Taiwan | 6.7 | 1976 | 9.5 | 35.0 | 3.7 |
| | | 1985 | 8.4 | 37.6 | 4.5 |
| Singapore | 6.5 | 1982-83 | 5.1 | 48.9 | 9.6 |
| Unweighted average | 6.1 | | 6.7 | 43.3 | 7.0 |
| <i>East Asia, slow growers</i> | | | | | |
| Indonesia | 4.5 | 1976 | 6.6 | 49.4 | 7.4 |
| | | 1987 ^a | 8.8 | 41.3 | 4.7 |
| Philippines | 1.3 | 1970-71 | 3.7 | 53.9 | 14.6 |
| | | 1985 ^b | 5.5 | 48.0 | 8.7 |
| Thailand | 4.4 | 1987 | 6.0 | 51.0 | 8.5 |
| Malaysia | 4.0 | 1973 | 3.5 | 56.1 | 16.0 |
| | | 1987 ^c | 4.6 | 51.2 | 11.1 |
| Unweighted average | 3.6 | | 6.1 | 47.5 | 8.3 |
| <i>Latin America</i> | | | | | |
| Brazil | 3.3 | 1972 | 2.0 | 66.6 | 33.3 |
| | | 1983 | 2.4 | 62.6 | 26.0 |
| Mexico | 2.8 | 1984 | 4.1 | 55.9 | 13.6 |
| Peru | -0.2 | 1972 | 1.9 | 61.0 | 32.1 |
| | | 1985-86 ^b | 4.4 | 51.9 | 11.8 |
| Venezuela | -1.0 | 1970 | 3.0 | 54.0 | 18.0 |
| | | 1987 ^c | 4.7 | 50.6 | 10.8 |
| Costa Rica | 1.4 | 1971 | 3.3 | 54.8 | 16.6 |
| | | 1986 ^a | 3.3 | 54.5 | 16.5 |
| Colombia | 2.3 | 1988 ^c | 4.0 | 53.0 | 13.3 |
| Unweighted average | 1.4 | | 3.6 | 55.1 | 16.4 |
| <i>Africa</i> | | | | | |
| Kenya | 1.9 | 1987 | 3.0 | 62.0 | 20.6 |
| Ghana | -1.4 | 1988-89 ^a | 7.1 | 43.7 | 6.2 |
| Ivory Coast | 0.5 | 1986-87 ^a | 5.0 | 52.7 | 10.5 |
| Botswana | | 1985-86 | 2.5 | 59.0 | 20.0 |
| Unweighted average | 0.3 | | 4.3 | 54.0 | 15.0 |

TABLE 1-2. (continued)

| Country | GNP per capita growth (per year) | | Income share of bottom 20 percent of households | Income share of highest 20 percent of households | Ratio of top 20 percent to bottom 20 percent |
|--------------------|----------------------------------|----------------------|---|--|--|
| | 1965-90 | Year | | | |
| <i>South Asia</i> | | | | | |
| Pakistan | 2.5 | 1984-85 ^b | 7.8 | 45.6 | 5.9 |
| | | 1964-65 | 6.7 | 48.9 | 7.2 |
| | | 1975-76 | 7.0 | 49.4 | 7.0 |
| India | 1.9 | 1983 ^a | 8.1 | 41.4 | 5.1 |
| Unweighted average | 2.2 | | 8.0 | 43.5 | 5.5 |

Sources: World Bank, *World Development Report* (Washington, various years); World Bank (1993b); Taiwan, *Statistical Yearbook*, 1987.

a. Per capita expenditure.

b. Household expenditure.

c. Per capita income. Unweighted average uses latest year available.

country is assigned a score for each criterion; the score corresponds to the country's rank according to the criterion. The scores for each criterion are then added up to obtain each country's Borda score or index. Countries are then ranked in inverse order to their Borda scores, so that lower scores signify higher ranks.¹³

The results of this ranking are shown in table 1-3. The ratios for each of the countries are not taken from the same year, nor do they represent averages over the period. Data are insufficient and do not permit such calculations. For each period the latest available data in each period were used. Except for Malaysia, all of the HPAEs ranked in the top ten, and five top the list. Malaysia is included in the top fifteen; note however its significant rise in rank from the first period to the second. The implication is clear. For the HPAEs, rapid growth and low inequality are shared virtues.

The Welfare of Low-Income Households: Growth and Poverty

Though economic growth need not necessarily reduce poverty, the experience of the HPAEs suggests that growth can alleviate poverty. An important feature of the HPAEs' performance is their relative success in

TABLE 1-3. Rank Based on Income Distribution and Growth in Real per Capita GDP

| Country | 1965-75 | | 1976-90 | | 1965-90 | |
|---------------------------|-------------|------|-------------|------|-------------|------|
| | Borda index | Rank | Borda index | Rank | Borda index | Rank |
| <i>HPAEs</i> | | | | | | |
| Korea | 16 | 3 | 20 | 5 | 16 | 3 |
| Taiwan | 13 | 2 | 6 | 1 | 7 | 1 |
| Singapore | 16 | 3 | 29 | 9 | 24 | 6 |
| Indonesia | 27 | 6 | 11 | 2 | 17 | 4 |
| Thailand | 40 | 11 | 28 | 8 | 30 | 7 |
| Malaysia | 45 | 16 | 34 | 12 | 41 | 15 |
| Hong Kong | 30 | 7 | 20 | 5 | 26 | 6 |
| Japan | 9 | 1 | 13 | 3 | 9 | 2 |
| <i>Other Asia</i> | | | | | | |
| Bangladesh | 45 | 16 | 34 | 12 | 38 | 12 |
| India | 51 | 20 | 28 | 8 | 38 | 12 |
| Nepal | 54 | 23 | 54 | 22 | 55 | 21 |
| Pakistan | 41 | 12 | 22 | 6 | 32 | 9 |
| Sri Lanka | 43 | 14 | 35 | 13 | 39 | 13 |
| Philippines | 50 | 19 | 49 | 19 | 45 | 17 |
| <i>Latin America</i> | | | | | | |
| Argentina | 52 | 21 | 64 | 25 | 63 | 25 |
| Bolivia | 46 | 17 | 70 | 28 | 63 | 25 |
| Brazil | 45 | 16 | 59 | 23 | 50 | 19 |
| Colombia | 58 | 25 | 51 | 20 | 52 | 20 |
| Chile | 71 | 29 | 48 | 18 | 55 | 21 |
| Mexico | 45 | 16 | 66 | 27 | 60 | 22 |
| Peru | 65 | 28 | 64 | 25 | 69 | 27 |
| Venezuela | 42 | 13 | 61 | 24 | 55 | 21 |
| <i>Sub-Saharan Africa</i> | | | | | | |
| Botswana | 42 | 13 | 43 | 17 | 40 | 14 |
| Côte d'Ivoire | 27 | 6 | 72 | 29 | 62 | 24 |
| Gabon | 37 | 8 | 53 | 21 | 43 | 16 |
| Ghana | 77 | 30 | 49 | 19 | 68 | 26 |
| Kenya | 44 | 15 | 65 | 26 | 61 | 23 |
| Malawi | 16 | 3 | 40 | 16 | 31 | 8 |
| Mauritania | 60 | 26 | 35 | 13 | 49 | 18 |
| Mauritius | 53 | 22 | 33 | 11 | 34 | 10 |
| Sudan | 64 | 27 | 59 | 23 | 63 | 25 |
| Zambia | 55 | 24 | 80 | 30 | 80 | 28 |

13. For a similar approach, see Reidel (1988).

TABLE 1-3. (continued)

| Country | 1965-75 | | 1976-90 | | 1965-90 | |
|-------------|-------------|------|-------------|------|-------------|------|
| | Borda index | Rank | Borda index | Rank | Borda index | Rank |
| OECD | | | | | | |
| Australia | 37 | 8 | 37 | 15 | 36 | 11 |
| Austria | 16 | 3 | 19 | 4 | 17 | 4 |
| Belgium | 21 | 4 | 36 | 14 | 23 | 5 |
| France | 37 | 8 | 29 | 9 | 31 | 8 |
| Italy | 38 | 9 | 24 | 7 | 24 | 6 |
| Spain | 24 | 5 | 37 | 15 | 24 | 6 |
| Switzerland | 49 | 18 | 33 | 11 | 39 | 13 |
| UK | 39 | 10 | 30 | 10 | 31 | 8 |

Sources: Data for top 20 percent to bottom 20 percent come from World Bank, Social Indicators of Development and the Economic and Social database, Washington. Data for per capita GDP are also from World Bank, Economic and Social database.

raising the incomes of the poor. The per capita income of the poorest fifth of the population is higher in East Asian economies with low inequality than in other economies with the same level of average income but higher inequality. Table 1-4 pairs East Asian countries with other developing countries with very similar levels of average per capita income but much higher levels of income inequality. In the non-HPAEs, the poor have considerably lower absolute incomes. For example, in 1983, although the per capita income of Brazil slightly exceeded average incomes in Malaysia in 1987, the bottom 20 percent of households (when ranked by income) received 4.6 percent of total income in Malaysia but only 2.4 percent of total income in Brazil. Consequently, the per capita incomes of the bottom quintile of households in Brazil were only 52 percent of the per capita incomes of the poorest fifth of households in Malaysia.

Among countries for which poverty data are available, the HPAE contingent once again outperforms all but one of the other countries.¹⁴

14. Mauritius has performed very well on both the growth and poverty dimensions, matching the performance of the lower echelon of the HPAEs. The country is more like a city-state comparable to Hong Kong and Singapore. But the existence of a sizable agricultural base differentiates it from the latter. Although sugar is a major product, the island nation has not gone the route of many other agriculturally rich countries but appears to have successfully moved resources into an export-oriented manufacturing sector. In 1976 sugar production was 23.3 percent of GDP and production at its export-processing zone was a mere .1 percent. By 1988 sugar's share was down to 12.8 percent and the EPZ share was up to 14.4 percent.

TABLE 1-4. Absolute Income Share of Lowest Quintile, Selected Years and Countries, 1976-87

| Country and year | GNP per capita (millions of U.S. dollars) | Population (millions) | Total GNP | Absolute income share of bottom 20 percent | | |
|-------------------|---|-----------------------|-----------|--|--|--|
| | | | | Income share of 20 percent of households | income share of 20 percent of households | Per capita income of 20 percent of households ^a |
| Indonesia, 1976 | 240 | 135.2 | 32,448 | 6.6 | 2,141 | 79 |
| Kenya, 1976 | 240 | 13.8 | 3,312 | 2.6 | 86 | 31 |
| Malaysia, 1987 | 1,810 | 16.5 | 29,865 | 4.6 | 1,374 | 416 |
| Brazil, 1983 | 1,880 | 129.7 | 243,836 | 2.4 | 5,852 | 226 |
| Malaysia, 1987 | 1,810 | 16.5 | 29,865 | 4.6 | 1,374 | 416 |
| Costa Rica, 1986 | 1,480 | 2.6 | 3,848 | 3.3 | 127 | 254 |
| Korea, 1976 | 670 | 36 | 24,120 | 5.7 | 1,375 | 191 |
| Botswana, 1986 | 840 | 1.1 | 924 | 2.5 | 23 | 115 |
| Indonesia, 1987 | 450 | 171.4 | 77,130 | 8.8 | 6,787 | 251 |
| Philippines, 1985 | 580 | 54.7 | 31,726 | 5.5 | 1,745 | 160 |

Source: World Bank, *World Development Report* (Washington, various years).

a. Absolute income share of bottom 20 percent divided by 20 percent of the total population.

Table 1-5 indicates the relative country performance in terms of an integrated poverty index (IPI). The IPI takes account of four measures: the percentage of the rural population below the poverty line, life expectancy at birth, the annual growth rate of per capita GNP, and the income-gap ratio. The income-gap ratio refers to the difference between the highest GNP per capita from among all the countries and the individual country GNP per capita divided by the former.¹⁵ The IPI takes values between zero and one; the lower it is, the better off the country. Based on the index, the four East Asian successful economies clearly dominate most if not all the other countries.

The Sectoral and Household Distribution of Income

As per capita income of a country rises, the share of manufacturing in its GDP rises and the share of agriculture falls. This has generally

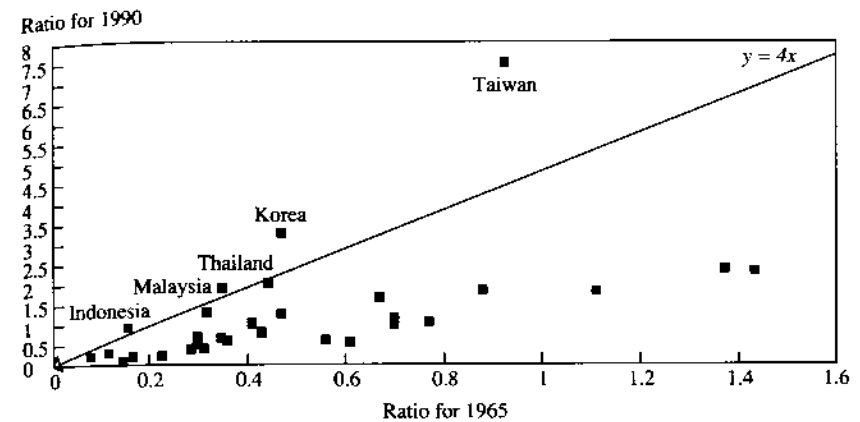
15. See Jazairy, Alamgir, and Panuccio (1992).

TABLE 1-5. *Integrated Poverty Index, 1988*

| Region | Poverty index |
|---------------------------|---------------|
| <i>HPAEs</i> | |
| Korea | 0.05 |
| Indonesia | 0.40 |
| Thailand | 0.28 |
| Malaysia | 0.26 |
| Average | 0.25 |
| <i>Other Asia</i> | |
| Bangladesh | 0.84 |
| India | 0.48 |
| Nepal | 0.59 |
| Pakistan | 0.27 |
| Sri Lanka | 0.42 |
| Philippines | 0.58 |
| Average | 0.53 |
| <i>Latin America</i> | |
| Argentina | 0.13 |
| Bolivia | 0.80 |
| Brazil | 0.45 |
| Colombia | 0.37 |
| Chile | 0.43 |
| Mexico | 0.37 |
| Peru | 0.60 |
| Venezuela | 0.22 |
| Average | 0.42 |
| <i>Sub-Saharan Africa</i> | |
| Botswana | 0.43 |
| Côte d'Ivoire | 0.24 |
| Gabon | 0.17 |
| Ghana | 0.52 |
| Kenya | 0.52 |
| Malawi | 0.83 |
| Mauritania | 0.77 |
| Mauritius | 0.09 |
| Sudan | 0.81 |
| Zambia | 0.79 |
| Average | 0.52 |

Source: Jazairy and others (1992).

Note: IPI measures the well-being of a country rather than that of an individual or household (based on Sen 1973's composite poverty index). The closer the IPI value to one, the worse the poverty.

FIGURE 1-2. *Ratio of the Real Value of Manufacturing Output to the Real Value of Agricultural Output*

Source: World Bank, *World Development Report* (Washington, 1992), table 3.

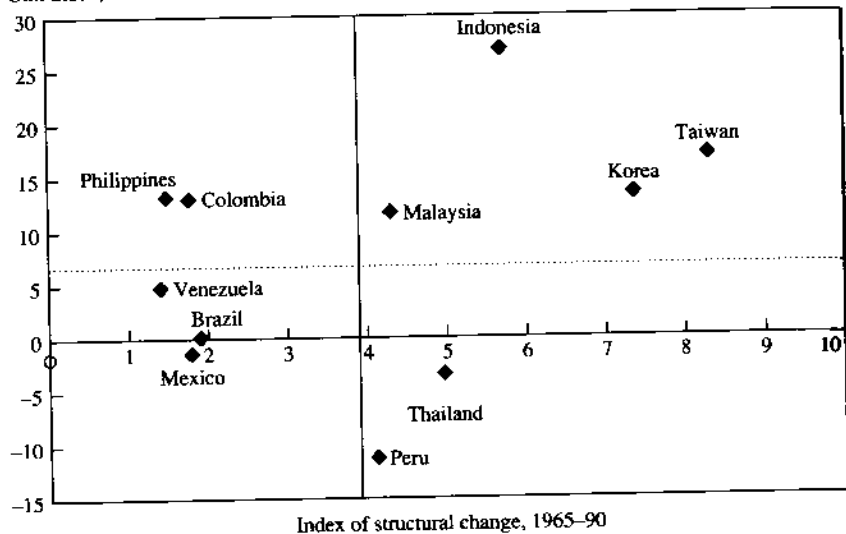
been true for most low- and middle-income countries. Among countries that have had a sizable agricultural sector, the HPAE component has experienced the most rapid structural change. Over a twenty-five-year period (1965-90), the share of manufacturing has far outpaced the share of agriculture in Korea, Taiwan, Indonesia, Thailand, and Malaysia. As shown in figure 1-2 the ratio of manufacturing output to agricultural output rose at least fourfold in each of the HPAEs, sevenfold and eightfold in Korea and Taiwan, respectively. The ratio increased much less dramatically in other low- and middle-income countries.

When the impetus for growth switches to the manufacturing sector, productivity tends to increase. Again, the Kuznets hypothesis predicts that in the earlier stages of this transition, income inequality will tend to increase. The experience of the HPAEs for which agriculture has been an important sector suggests otherwise. Figure 1-3 plots the change in the Gini index against an index of the magnitude of the transition from agriculture-based to manufacturing-based growth between 1965 and 1990 for eleven countries.¹⁶ Korea, Taiwan, Indonesia, and Malaysia

16. To construct the index, we used the following formula: let ISC denote the index, MRG manufacturing, and AG agriculture. Then

$$ISC = \frac{(\% \text{ of GDP in MFG, 1990})}{(\% \text{ of GDP in AG, 1990})} \div \frac{(\% \text{ of GDP in MFG, 1965})}{(\% \text{ of GDP in AG, 1965})}$$

FIGURE 1-3. Gini Index and Structural Change

Percent reduction in
Gini index, 1970-90

Source: World Bank, East Asia Miracle database, 1994; World Bank, *World Development Report*.

have had improved income distributions associated with the shift. That Indonesia and Malaysia are relative late starters suggests even more strongly that inequality need not necessarily increase during the early stages of the transition. They entered the initial stage of the transition fairly recently in the late 1970s or early 1980s.

Wages, Employment, and Income Distribution

With rapid growth, both real wages and employment have increased dramatically in the high performers. Nowhere else in the developing world, or for that matter in the industrialized countries, has such performance been observed.

which is equivalent to

$$ISC = \frac{(\text{value of MFG output in 1990})}{(\text{value of AG output in 1990})} \times \frac{(\text{value of AG output in 1965})}{(\text{value of MFG output in 1965})}$$

The larger the ISC, the greater the degree of structural change. The data on the percent of GDP are taken from World Bank, *World Development Report* (1992, pp. 222-23, table 3).

As indicated in table 1-6 Korea and Taiwan have experienced the most rapid growth in real wages averaging 8.15 percent and 7.7 percent a year, respectively, over two decades. In the other high performers, the rate of increase was slower but still significantly greater than in most other developing countries. (Between 1980 and 1990 real wages increased 88 percent in Thailand, 77 percent in Indonesia, 63 percent in Singapore, 54 percent in Hong Kong, and 37 percent in Malaysia.) In contrast, real wages in several developing countries for which data are available actually declined. (Moreover limited evidence suggests that urban unemployment rates have been steadily declining in most of the high performers, while they have been increasing in other developing countries [table 1-7]. The magnitude of the unemployment rates provides an even starker contrast. For most of the 1980s, the rates have been in the low single digits in the high performers but in the double digits in the others. In sum, much of the labor force in East Asia's high performers has experienced rising real wages and with it a rising standard of living, while the labor force in others has suffered.)

Infrastructure: Sectoral Distribution

Compared with most other low- and middle-income countries, the HPAEs have allocated more public investment and government effort to developing economic and social infrastructure in the rural areas. This has been important in promoting shared growth.

The contribution of rural infrastructure to growth is well known. (Roads, bridges, ports, and airports link product and input markets in the domestic economy, and these domestic markets with the international economy. Water and electricity are crucial for industrial development. Telecommunications reduce transactions costs and thus facilitate the movement of goods and services. Improved health and sanitation facilities help develop human capital.)

Less widely appreciated is that rural infrastructure also contributes to improved income distribution. The availability of electricity and telecommunications throughout a greater number of regions creates economic opportunities outside the metropolitan areas. (Roads, ports, and telecommunications improve access to markets—both labor and

17. From 1980 to 1990, the average real earnings in manufacturing increased at an annual rate of 5.9 percent in Indonesia. This figure translates into an aggregate increase of 77.3 percent over the decade. The figures for the other countries are determined similarly.

TABLE 1-6. *Percentage Increase in Real Earnings per Employee in Manufacturing, 1970-90*
(1980 = 100)

| Region | 1970-80 | 1980-90 | 1970-90 |
|---------------------------|---------|---------|---------|
| <i>HPAEs</i> | | | |
| Korea | 10.00 | 6.30 | 8.15 |
| Taiwan ^a | 7.80 | 7.60 | 7.70 |
| Singapore | 3.00 | 5.00 | 4.00 |
| Indonesia | 5.00 | 5.90 | 5.45 |
| Thailand | 1.00 | 6.50 | 3.75 |
| Malaysia | 2.00 | 3.20 | 2.60 |
| Hong Kong | 6.40 | 4.40 | 5.40 |
| Japan | 3.10 | 2.00 | 2.55 |
| Average | 4.79 | 5.11 | 4.95 |
| <i>Other Asia</i> | | | |
| Bangladesh | -3.00 | 0.90 | -1.05 |
| India | 0.40 | 3.00 | 1.70 |
| Pakistan | 3.40 | 6.10 | 4.75 |
| Philippines | -3.70 | 6.40 | 1.35 |
| Average | -0.73 | 4.10 | 1.69 |
| <i>Latin America</i> | | | |
| Argentina | -2.10 | -0.80 | -1.45 |
| Bolivia | 0.00 | -4.80 | -2.40 |
| Brazil | 4.00 | 7.10 | 5.55 |
| Colombia | -0.20 | 1.70 | 0.75 |
| Chile | 8.10 | -1.00 | 3.55 |
| Mexico | 1.20 | -3.90 | -1.35 |
| Venezuela | 3.80 | -2.90 | 0.45 |
| Average | 2.11 | -0.66 | 0.73 |
| <i>Sub-Saharan Africa</i> | | | |
| Botswana | 2.60 | -5.70 | -1.55 |
| Kenya | -3.40 | 0.10 | -1.65 |
| Mauritius | 1.80 | -0.60 | 0.60 |
| Zambia | -3.20 | 6.50 | 1.65 |
| Average | -0.55 | 0.08 | -0.24 |

Source: World Bank, *World Development Report*; Taiwan National Statistics Data Set.
a. Index for Taiwan (1981 = 100).

TABLE 1-7. *Urban Unemployment Rates, Selected Years, 1980-90*

| Region and country | 1980 | 1985 | 1988 | 1990 |
|----------------------|------|------|------|------|
| <i>East Asia</i> | | | | |
| Korea | 7.5 | 4.9 | 3.0 | 2.9 |
| Singapore | 3.0 | 6.5 | 3.3 | 2.0 |
| Taiwan | 1.2 | 2.9 | 1.7 | 1.7 |
| Hong Kong | 3.8 | 3.2 | 1.4 | 1.3 |
| Thailand | 5.7 | 5.2 | 5.0 | |
| Malaysia | 5.0 | 6.2 | | |
| Indonesia | | 7.3 | | |
| <i>Latin America</i> | | | | |
| Colombia | 9.7 | 14.1 | 11.2 | 10.3 |
| Chile | | 17.3 | 13.3 | 11.9 |
| Ecuador | 5.7 | 10.4 | | |
| Brazil | 6.2 | 5.3 | 3.8 | 4.3 |
| Costa Rica | 6.0 | 6.7 | 6.3 | 5.4 |
| Mexico | 4.5 | 4.4 | 3.5 | 2.9 |
| <i>South Asia</i> | | | | |
| Philippines | 8.2 | 11.8 | 12.6 | 12.6 |
| Sri Lanka | 14.2 | 19.4 | | |
| India | 7.8 | 6.8 | 7.1 | |
| <i>Africa</i> | | | | |
| Kenya | | 14.1 | | |
| Nigeria | | 9.8 | 10.0 | |
| Egypt | | | 10.4 | |
| Turkey | | 15.0 | 13.2 | 13.4 |

Sources: Fields (1992); World Bank (1993a); Turnham (1993).

product—for people and firms in these areas. Improved water, sanitation, and health facilities increase the employability of workers, raising their incomes. For these reasons, the development of rural infrastructure by the HPAs has indirectly led to an improvement in income distribution.¹⁸

Most data on the allocation of public investment between rural and

18. The willingness of the HPAs to invest in rural infrastructure can be directly related to the political basis of regime support. Unlike other regimes, for example, in Africa, the HPAs leadership does not depend on control over the capital city, and the regimes are not easily taken hostage by urban crowds or the discontent of labor unions.

TABLE 1-8. Rural-Urban Disparity in Access to Service, 1987-90

| Region | Water ^a | Sanitation ^a |
|--------------------|--------------------|-------------------------|
| <i>HPAEs</i> | | |
| Korea | 54 | 101 |
| Indonesia | 168 | 113 |
| Thailand | 126 | 102 |
| Other Asia | 64.6 | 38.6 |
| Latin America | 58 | 46.5 |
| Sub-Saharan Africa | 43 | 30 |

Source: UNDP (1992).

a. One hundred means parity between rural and urban access. Figures >100 indicate that the rural average is higher than the urban average access to the service.

urban regions are too crude to provide accurate comparisons among countries. Nevertheless the available data suggest that the allocation has been less biased in the HPAEs. Among the HPAEs, Indonesia, Thailand, and Malaysia have large rural sectors, while Taiwan and Korea have modest rural sectors. For comparisons with other low- and middle-income countries, data on sanitation and water facilities are available for Indonesia, Thailand, and Korea. Table 1-8 gives a rough picture of the relative emphasis of public investment in sanitation and water facilities in these countries and other developing countries. As indicated there is a better balance between rural and urban sectors in the three HPAEs.¹⁹

The data on rural electrification also suggest that the HPAEs with nontrivial rural sectors have done better on average at providing electricity to the rural areas. "Less than 10 percent of electricity investment in the third world goes to the rural areas and in many countries that investment is less than 5 percent. . . . In Taiwan province of China, universal electrification has been achieved."²⁰ Since the early 1980s, electricity has also been universally available in Korea. As shown in table 1-9 Malaysia and Thailand have made great strides in rural electrification. Indonesia has not done as well. But the relative disparity between the urban and rural sectors is smaller compared with the

19. In Malaysia, as of 1987, 95 percent of the urban population and 68.6 percent of the rural population had access to safe water. See World Bank (1990a).

20. United Nations (1990, p. 132).

TABLE 1-9. Percentage of Rural and Urban Population Served by Electricity, Selected Years

| Region and country | 1983 population | Per capita GNP (U.S.\$) | Urban | | Year |
|-----------------------------|-----------------|-------------------------|-------|-------|------|
| | | | Urban | Rural | |
| <i>HPAEs</i> | | | | | |
| Indonesia | 155.7 | 560 | 39 | 10 | 1984 |
| Malaysia | 14.9 | 1,860 | 85 | 55 | 1983 |
| Thailand | 49.2 | 820 | 78 | 40 | 1984 |
| <i>Other Asia</i> | | | | | |
| Bangladesh | 95.5 | 130 | 20 | 2 | 1981 |
| India | 733.2 | 260 | <25 | 15 | 1981 |
| Pakistan | 89.7 | 390 | <25 | 15 | 1981 |
| Philippines | 52.1 | 760 | 40 | 22 | 1980 |
| Sri Lanka | 15.5 | 330 | 35 | 8 | 1982 |
| China | 1019.1 | 300 | >80 | 60 | 1982 |
| <i>Latin America</i> | | | | | |
| Argentina | 29.6 | 2,070 | >95 | 5 | 1981 |
| Bolivia | 6 | 510 | 72 | 9 | 1981 |
| Brazil | 129.7 | 1,880 | >95 | 19 | 1981 |
| Chile | 11.7 | 1,870 | >95 | 42 | 1981 |
| Colombia | 27.5 | 1,430 | 84 | 13 | 1978 |
| Costa Rica | 2.4 | 1,020 | >95 | >95 | 1982 |
| Ecuador | 8.2 | 1,420 | 79 | 13 | 1980 |
| Mexico | 75 | 2,240 | | <20 | 1982 |
| <i>East and West Africa</i> | | | | | |
| Burkina Faso | 6.5 | 180 | <15 | 1 | 1980 |
| Ethiopia | 40.9 | 120 | 10 | <1 | 1982 |
| Guinea | 5.8 | 300 | 21 | 4 | 1982 |
| Côte d'Ivoire | 9.5 | 710 | 93 | 20 | 1981 |
| Liberia | 2.1 | 480 | 86 | 4 | 1982 |
| Kenya | 18.9 | 340 | <10 | <2 | 1982 |
| Senegal | 6.2 | 440 | 83 | 12 | 1982 |

Source: Munasinghe (1987, pp. 6-7).

disparity in countries with approximately the same per capita incomes (in 1983)—Liberia and Bolivia—or the same population (in 1983), Brazil.

On an aggregate level, it does seem that the HPAEs have invested more resources in physical infrastructure (though this should be interpreted with caution since the data are limited). Using population per

TABLE 1-10. *Population per Phone, Percentage Change from 1975 to 1985*

| Region and country | 1975 | 1985 | Percent change |
|---------------------------|------|------|----------------|
| <i>HPAEs</i> | | | |
| Korea | 25 | 5 | 80 |
| Taiwan | 4 | 2 | 50 |
| Singapore | 7 | 3 | 57.14 |
| Indonesia | 435 | 205 | 52.87 |
| Thailand | 133 | 68 | 48.87 |
| Malaysia | 42 | 12 | 71.43 |
| Hong Kong | 4 | 2 | 50 |
| <i>Other Asia</i> | | | |
| India | 352 | 203 | 42.33 |
| Nepal | 1167 | 903 | 22.62 |
| Pakistan | 296 | 186 | 37.16 |
| Sri Lanka | 187 | 135 | 27.81 |
| Philippines | 96 | 67 | 30.21 |
| <i>Latin America</i> | | | |
| Argentina | 13 | 10 | 23.08 |
| Brazil | 35 | 12 | 65.71 |
| Colombia | 19 | 14 | 26.31 |
| Chile | 24 | 16 | 33.33 |
| Mexico | 21 | 11 | 47.62 |
| Peru | 41 | 32 | 21.95 |
| Venezuela | 19 | 12 | 36.84 |
| <i>Sub-Saharan Africa</i> | | | |
| Botswana | 108 | 56 | 48.15 |
| Ghana | 164 | 179 | -9.14 |
| Kenya | 113 | 72 | 36.28 |
| Malawi | 262 | 175 | 33.21 |
| Mauritius | 35 | 16 | 54.28 |
| Sudan | 281 | 281 | 0 |
| Zambia | 91 | 90 | 1.1 |

Sources: World Bank, Economic and Social database; International Telecommunication Union (1993).

phone as an index and 1975 as a base year of comparison, five of the HPAEs have significantly increased telephone service compared with other countries with roughly the same population per phone in 1975. For instance, as shown in table 1-10 over the ten-year period Malaysia

reduced the population-phone density by over 70 percent while the comparable countries Brazil, Peru, and Mauritius achieved smaller gains. The quality of infrastructure may also be better in the HPAEs. Table 1-11 lists the percentage of roads that are paved in a relatively large selection of low- and middle-income countries. This percentage is distinctively higher in the HPAEs, indicating that roads there are on average of better quality.

Growth and Private Investment

A discussion of the growth-equity nexus in East Asia would not be complete without an overview of trends in private investment. Economic growth is stimulated by investment, a huge chunk of which comes in the form of plant, equipment, and technology. Without these productive assets, nothing else follows. With little investment there will be very little growth, and with little growth there will not be much to share.

In the high performers, investment as a proportion of GDP has been high compared with other developing countries. The difference stems mainly from private investment: the private sector has actively provided investments in the high performers. (Though public investment as a proportion of GDP in the high performers has been roughly similar to the proportion in other developing countries, the proportion of private investment has been substantially higher, with the differential averaging about 8 percent of GDP a year.²¹ Table 1-12 compares private investment in the high performers with that in some other developing countries. The difference is striking.)

Private investment has been critical to the shared growth process in East Asia. Rapid growth is unlikely to be achieved without the full support of the private sector.

(The data on growth, income distribution, and poverty indicate that the HPAEs have successfully promoted shared growth. The data on infrastructure and real wages support the same conclusion.) Infrastructure development has been more evenly distributed between the rural and urban sectors in the high-performing Asian economies. As for wages, between 1970 and 1990 real wages have on average increased faster in the HPAEs than in other developing countries: 5.8 percent growth in the HPAEs compared with 1.7 percent in other parts of Asia, .73 percent in Latin America, and -.24 percent in Sub-Saharan Africa.)

21. World Bank (1993a, p. 44, figure 1-7).

TABLE 1-11. *Percentage of Roads Paved, Selected Years*

| Region and country | 1971 | 1982 | 1986 |
|---------------------------|-------|-------|-------|
| <i>HPAEs</i> | | | |
| Hong Kong | 100.0 | 100.0 | 100.0 |
| Indonesia | 25.0 | 58.7 | 62.3 |
| Japan | 18.0 | 50.7 | 60.2 |
| Korea | 14.2 | 35.7 | 54.2 |
| Malaysia | 85.0 | 82.0 | 80.0 |
| Singapore | n.a. | 88.0 | 95.8 |
| Taiwan | n.a. | n.a. | 91.0 |
| Thailand | 67.0 | 34.9 | 39.6 |
| Average | 51.5 | 64.3 | 72.9 |
| <i>Other Asia</i> | | | |
| India | 34.9 | 47.3 | 48.0 |
| Pakistan | 57.0 | 64.0 | 43.0 |
| Philippines | n.a. | 12.5 | 13.1 |
| Sri Lanka | 69.6 | 34.5 | n.a. |
| Average | 53.8 | 39.6 | 34.7 |
| <i>Latin America</i> | | | |
| Argentina | 13.0 | 10.0 | 23.1 |
| Brazil | 4.5 | 7.0 | 7.2 |
| Chile | 11.6 | 10.2 | 12.4 |
| Colombia | 11.3 | 9.0 | 8.0 |
| Mexico | 60.0 | 46.0 | 33.3 |
| Peru | 9.9 | n.a. | n.a. |
| Venezuela | 43.1 | 37.6 | 33.1 |
| Average | 21.9 | 20.0 | 19.5 |
| <i>Sub-Saharan Africa</i> | | | |
| Côte d'Ivoire | 0.0 | 7.9 | n.a. |
| Gabon | 2.9 | 6.8 | n.a. |
| Kenya | 7.0 | 11.9 | n.a. |
| Malawi | 8.0 | 18.0 | n.a. |
| Mauritania | 0.1 | 21.5 | n.a. |
| Mauritius | 0.9 | 92.0 | 92.0 |
| Zambia | 9.4 | 15.0 | 16.6 |
| Average | 4.0 | 24.7 | 54.3 |

Source: International Road Federation, *World Road Statistics* (Washington, various years).

n.a. Not available.

TABLE 1-12. *Share of Private Investment in Gross Domestic Product, 1970-90*
Percent

| Private Investment/GDP | 1970-75 | 1975-80 | 1980-85 | 1985-90 |
|------------------------|---------|---------|---------|---------|
| <i>HPAEs</i> | | | | |
| Japan | 25.58 | 21.89 | 20.69 | 22.70 |
| Hong Kong | 20.37 | 22.49 | 23.26 | 21.86 |
| Indonesia | 10.50 | 11.05 | 12.47 | 11.93 |
| Republic of Korea | 18.45 | 23.10 | 23.84 | 26.30 |
| Malaysia | 16.00 | 16.25 | 17.98 | 16.44 |
| Singapore | 28.26 | 26.04 | 31.38 | 26.26 |
| Taiwan | 14.13 | 14.02 | 12.97 | 11.81 |
| Thailand | 17.34 | 17.82 | 19.35 | 24.68 |
| Average | 18.83 | 19.08 | 20.24 | 20.25 |
| <i>Other countries</i> | | | | |
| Argentina | 13.10 | 15.48 | 16.22 | 12.73 |
| Bolivia | 10.77 | 9.25 | 4.89 | 4.15 |
| Chile | 5.57 | 9.20 | 9.78 | 10.08 |
| Côte d'Ivoire | 13.64 | 13.97 | 8.92 | 4.75 |
| Ghana | 6.71 | 4.03 | 3.87 | 4.23 |
| India | 9.12 | 10.10 | 10.12 | 11.92 |
| Mexico | 12.60 | 12.88 | 12.63 | 13.42 |
| Nigeria | 9.53 | 8.28 | 4.68 | 3.95 |
| Philippines | 11.36 | 18.64 | 18.69 | 15.53 |
| Sri Lanka | 10.84 | 14.02 | 22.54 | 17.24 |
| Turkey | 12.18 | 11.78 | 8.45 | 11.20 |
| Venezuela | 15.74 | 18.51 | 9.32 | 9.89 |
| Average | 10.93 | 12.18 | 10.84 | 9.92 |

Source: World Bank, East Asia Miracle database, 1994.

Thus growth was more evenly distributed in the HPAEs than in other regions undergoing industrialization. Even in Korea, where a small number of firms dominate the economy, the Gini coefficients reveal relatively egalitarian distribution of income. In Indonesia, despite explicit and extensive bureaucratic clientelism, growth has accelerated and rural poverty has declined over twenty years. In short, not only is East Asia a great success story for economic growth, but it is a rare example of the benefits of early industrialization being more equitably shared.