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Human Development Ranking: Predictors and Implications for Haiti

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HUMAN DEVELOPMENT RANKING: PREDICTORS AND IMPLICATIONS FOR HAITI

BY

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This dissertation is approved as a creditable and independent investigation by a candidate for the Doctor of Philosophy degree and is acceptable for meeting the dissertation requirements for this degree. Acceptance of this dissertation does not imply that the conclusions reached by the candidate are necessarily the conclusions of the major department.

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ABSTRACT

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This study is an effort to identify some of the predictors of human development index ranking and their implications in the case of Haiti. Secondary quantitative data from a variety of sources were used and complemented with qualitative data collected from Haiti using a key informant interview guide. Because of the unavailability of the secondary data and the nature of the some of the variables, three groups of countries were studied. One group contained 64 countries, another 96, and 121 countries. The Human Development Index (HDI) of the United Nations Development Programs (UNDP) was treated as the dependent variable. Eight independent variables were identified and selected. The independent variables are education policy, healthcare policy, institutional qualitiy, corruption, democracy, state strength, foreign direct investment, and world system position. The results of the statistical analysis suggest that all of the variables, except for foreign direct investment, are significantly associated with the HDI. Only four of the variables: education, democracy, foreign direct investment, and corruption could enter the multiple regression analysis. The results of the multiple regression analysis reveal that corruption and democracy are predictors of the HDI.

The results of the qualitative analysis also suggest that all the variables included are associated with the HDI in one way or another. The respondents emphasized that

education, institutional quality, and corruption most affect the level of development in the case of Haiti. They affirmed that education and employment are the two most important areas to address in order to change the situation in Haiti.

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CHAPTER ONE

INTRODUCTION

Preamble

While there is technological progress being made continuously in the developed countries around the globe, the welfare of the average person in some less developed countries continues to deteriorate. Considering the state of the developed world, people are living longer, diseases that used to kill by the thousands are now contained, and sophisticated medical equipment is available. Food production has never been so efficient in the developed world with crop yield being on the rise as result of new agricultural technologies. Governments, such as the United States, are providing subsidies to farmers not to produce to avoid production surplus. While all of this progress is being made in developed countries, there are parts of the world where just the opposite is happening.

In 2001 The United Nations set the Millennium Development Goals (United Nations 2005) with specific targets to reach by 2015. Those goals include:

Goal 1: Eradicate extreme poverty and hunger

Goal 2: Achieve universal primary education

Goal 3: Promote gender equality and empower women

Goal 4: Reduce child mortality

Goal 5: Improve maternal health

Goal 6: Combat HIV/AIDS, malaria and other diseases

Goal 7: Ensure environmental sustainability

Goal 8: Develop a Global Partnership for Development

The Millennium Development Goals Report 2005 reveals that, while some countries and regions have seen some progress, others are regressing into worse conditions. Regarding the goal of eradicating poverty, the report argued that global poverty rate is falling, but there are millions of people especially in sub-Saharan Africa that are becoming poorer and millions who are chronically hungry. More than one-third of children in that region are not enrolled in school while the situation is worse in some other regions. AIDS continues to rage in many African countries and 30,000 children around the world continue to die every day from preventable or treatable diseases. In sum, the report shows mixed results in achieving those goals (The Millennium Development Goals Report, 2005). This situation makes one wonder where the problem might be located. In other words, why are some countries thriving, others improving, while others just do not seem to be able to ever make it? This is the motivation behind this study.

Problem Statement

Most researchers who have attempted to explain development have focused primarily on economic development as the dependent variable at the national level **or** on local (or regional) economic development as influenced by community development or social capital. There is a need to consider development as broader than economic development and to do so at a national level. Hence, this study focuses on a broader view of development using the Human Development Index (HDI of the United Nations

Development Program-UNDP) as the dependent variable measuring socio-economic development. The HDI is a composite measure of income per capita, adult literacy rate, and life expectancy at birth.

Additionally, the standard indicators used to predict economic development have been limited to either economic factors or some combination of modernization factors. Since this study is using the HDI as its dependent variable, it makes sense to look at both economic and non-economic independent variables. The non-economic factors include education policy, health care policy, democracy, corruption, and institutional strength; the economic factors include state strength, capital penetration and world system position.

Research Question

The research question of this study is: Which social and economic factors alone or in combination seem to most strongly affect human development (as measured by the HDI) in various countries?

Goals and Objectives

The overall goal of this study is to understand more about the economic and other factors that affect the human development level of various countries, but particularly Third World nations. This goal will be achieved through the accomplishment of the following objectives:

1. To determine the independent variables influencing the HDI ranking.

2. To statistically analyze the effects of the independent variables on the level of human development (as measured by HDI) using multiple regression techniques
3. To complement the statistical results with qualitative data collected from Haiti to better understand the effect of the independent variables as well as perhaps identify other factors not considered in this study on Haiti's level of human development.

Justification of this Study

This study is an effort to contribute to the search for ways to improve human conditions on the planet. Many studies have been done in the past and many of them have been reviewed here. It seems that most studies and theories related to development often look in one direction or another for the answers to the problems of human conditions. This study argues that the level of development of a society is the result of a process combining many factors that, once addressed properly, will trigger lasting changes. It cannot be an "either-or" approach. For example, education is an important factor to development, but alone, is not enough to bring about durable development. Educated people in a corrupt system that does not favor the development of an environment for personal growth and security, equal opportunity, or private investment, are likely to leave such a system to relocate elsewhere with better conditions. Such is the case for educated Haitians who have been leaving Haiti every year by tens of thousands to relocate in Canada, the United States, France, and so on. It is the hope that this study will provide

the stepping stone leading to a development plan that will help Haiti capture the value of its two hundred years of independence.

Organization of the Dissertation

This chapter contains the overall introduction to the dissertation, the problem statement, the research question, the goal and objectives of the study, its justification and the organization the rest of the dissertation. Chapter Two contains the review of literature on the factors that have been identified as having significant effects on the development level of countries.

Based on the literature in Chapter Two, Chapter Three contains the theoretical framework used in this study. This theoretical framework draws upon Durkheim's ideas on morality which are used in this study to analyze the impact of corruption on the HDI; Rostow Stages of development with regards to the role of the internal structure in fostering socioeconomic development; world system theory with regard to the impacts of external forces on the development of a country; and the mode of production approach to development which argues that the impact of external forces such as capitalism on the development level of a social formation depends on the strength and cohesion of the social formation.

Chapter Four consists of the methodology used in conducting this study. It includes the research and the null hypotheses, the research design and data collection, the operationalization of the variables, and the data analysis methods.

Chapter five contains the presentations of the findings for the quantitative portion of this study. It includes the characteristics of the sample, frequency distribution of the variables, the results of hypothesis-testing, the intercorrelation matrices, and the multiple regression analysis.

Chapter Six deals with the presentation of the findings for the qualitative analysis. It contains a brief profile of Haiti, the purpose of the analysis, the characteristics of the sample, the methods used to analyze the qualitative data, the topics covered in the interviews, the findings, and the summary of the chapter.

Chapter Seven contains a brief review of the research question, a summary of the hypothesis-testing, a summary of the qualitative findings, the theoretical significance, the practical significance, a summary discussion of the predictors of human development index ranking, limitations of the study, suggestions for further research, and an overall conclusion.

CHAPTER TWO

LITERATURE REVIEW

This chapter consists of a review of literature relevant to factors affecting socioeconomic development. It begins with an overview of the human development concept, and then discusses research on education, institutions, democracy, corruption, and world systems theory and socioeconomic development.

The Human Development Concept

While economic development is often confused with economic growth, economic development is different than economic growth. Lynn (2003:4) defines economic development as the sustained and sustainable income per capita that is coupled with well-diversified production, efforts to reduce absolute poverty, and provision of economic opportunities for every citizen of a society. This definition includes more than just an increase in monetary wealth, but also embraces a wide array of social and environmental factors pertaining to the well-being of any society.

Considering the social aspects of development, Pereira (1984:47) defined social development as the social transformation and diversification that a country may undergo as a result of economic transformation. The author referred to the Brazilian social transformation, from 1930-1985, as an example of social development. During that period, Brazil experienced a profound social transformation with the emergence of a new middle class resulting from the creation of new economic opportunities including more

middle level business jobs, better purchasing power that expanded the customer base of department stores, better service industries, and so on.

The development of a country is affected by both internal and external factors. Internal factors include organization (social, economic, and political), education, governance efficiency, and quality institutions (legal, financial, and health). State strength is an internal variable that determines the ability of the state to deal with the external factors and will be considered as such throughout this study. The strength of a state is the product of its internal structure according to Kerbo (2003) who uses the terms hard/soft state to distinguish among nation states. According to Kerbo (2005: 438-439) a hard state, which he also calls a development state, is

> "a government with sufficient rational organization and power to achieve its development goals. . . [This is a state] that must be able to resist external demands from outside corporations . . . [and] reduce corruption. . . What this hard state comes down to is leadership and bureaucracy."

External factors include world-system position, foreign investment, and foreign aid (Bro, 2002) among others. While certain theorists tend to argue that one or the other category (internal vs. external factors) accounts for underdevelopment of Third World countries, others like Chinchilla and Dietz (1981) argue that the sustainable development of any country depends on its ability to maintain a healthy balance between the internal and external factors.

All of these aspects of development have been incorporated into the concept of human development, introduced by the United Nations Development Programs (UNDP) in 1990 as part of its report, The Human Development Report (HDR). Since then, this

report has been published annually. It includes the Human Development Index (HDI) which is the dependent variable of this study. Introduced into the literature on development by Anand and Sen (2000), the concept of 'human development' recognizes human beings as "the primary ends as well as the principal means of the development" (Anand and Sen, 2000:1; Welzel, Inglehart and Klingemann, 2003).

By considering the human being as the primary end of the development process, the human development concept emphasizes not only people's input into the development process, but also what they get from the process. For this reason, the developers of the HDR chose to focus on the progress made in the living conditions of human beings, that is, the ability that people have to enjoy a better quality of life. Thus, the HDR fits with Adam Smith's view that people should not be seen only as useful instruments to the economy (Anand and Sen, 2000:1). The HDR focuses on three aspects of the quality of life, namely, longevity, education, and command over essential resources. Both education and longevity are considered as means that people can use to access other resources for a better quality of life (Anand and Sen, 2000:1).

In an empirical study of 68 countries Welzel, *et al*. (2003) found that the level of human development of a country is shaped by three major factors namely individual resources, emancipative values, and democracy. The authors argue that the effects of the first two are greater than the latter.

Education

Kingston, *et al*. (2003) referred to education as a major independent variable affecting socioeconomic development in that more educated individuals are healthier, wealthier, wiser, and more involved in political and civic life. They found education to be a powerful factor influencing a wide array of social outcomes such as attitudes toward civil liberties, gender equality, social capital, cultural capital, and civic knowledge.

Studies conducted by the Federal Reserve of Minneapolis concluded that economic development should go beyond the traditional list of "company headquarters, office towers, entertainment centers, and professional sports stadiums and arenas" to include early childhood education. The argument is that investment in early childhood development is likely to result in "better working public schools, more educated workers, and less crime" (Rolnick and Grunewald, 2003). Burr and Grunewald (2006) also studied several early childhood development programs and found that these programs had a significant positive impact such as improved educational performance, higher high school graduation and college enrollment rates, reduction in juvenile delinquency and criminal activity, better wages and tax payments and the resultant reduction in welfare dependence, less child abuse, and a larger and better workforce pool for employers.

Nobel Prize Laureate, Theodore Schultz (1961), argued that investments in humans through education produce both public and private returns. That is, not only that the more educated earn more (private returns), they also constitute a larger tax (public returns) base by earning more. Schultz further argued that investing in physical capital without investing in human capital is unlikely to produce the expected returns on physical

capital. He specifically referred to physical capital investments from rich to poor countries that usually target investing in structure rather than people.

Health

Besides education, health, measured by 'life expectancy at birth', has been added to income inequality in developing the human development index (UNDP, 2005; Lynn, 2003). Numerous studies have identified the linkages between health policy and level of human development. Lynn (2003), Young (2005), Chen and Narasimhan (2003), and Smith (1979) have all identified a direct association between health care policy and level of human development. For example, Smith (1979) found that life expectancy and availability of basic health care are positively related. That is, those countries with the fewest inhabitants per physician and hospital bed, among other health care services, tend to have the highest life expectancy. The same study shows that the bottom ten countries with highest number of inhabitants per physician and hospital beds are among those usually considered among the poorest nations of the world (Smith, 1979:247-249).

Institutional and Historical Factors

The role of institutions as major contributors to socioeconomic development has received ample attention. While this study recognizes that the term institution can include social institutions such as religion, family, and so on, the main focus will be on political and economic institutions, which are also social institutions.

In his study of the relationship between corruption and growth, Mauro (1995:695) found that inefficient institutions lead to low investment rates which, in turn, lead to low economic growth. This inefficiency of institutions (measured by the bureaucratic efficiency index by Business International—BI) is operationalized in Mauro's study through the level of corruption which we shall discuss later in the methods chapter. Mauro found that one-standard-deviation increase or improvement in the bureaucratic efficiency index corresponds to an increase in the investment rates of 4.75 percent of total GDP. He further added that, if a country like Bangladesh were to improve its bureaucratic efficiency by one standard deviation, which would bring it to the same level as Uruguay. It would increase its investment rates by about five percentage points and improve its GDP growth by more than one half a percentage point annually.

Acemoglu *et al*. (2001) argue that state policy and the development of institutions act as powerful independent variables relative to income per capita. Per capita income is one of the three major components of the human development index (HDI). These authors found that well-functioning institutions, such as the legal system, play a critical role in overall societal and economic development. Still, these authors acknowledged that a strong agreement is yet to be reached on the determination of what really leads to the development of institutions and what increases government motivation toward economic progress. Therefore, the authors turned to the colonial experience of the different nation states for a better understanding of the variations in institutions within those nations. Their study revealed that countries for which former colonial powers "set up institutions that enforced the rule of law and encouraged investments" Acemoglu *et al.* (2001: 1395)

are much better off today than those in which only an extractive state was set up to transfer resources to the metropole.

This historical view of institutions was also advanced by Putnam, Leonardi, and Nanetti (1993:184) who argued that social context and history play a significant role in shaping the effectiveness of institutions. The authors also argued that better institutions lead to policy making which is necessary for growth to occur. Their study of Northern and Southern Italy revealed that changes in institutions also affect changes in identity, values, power, and strategies, all of which contribute to a moderate, pragmatic, and tolerant political culture. Referring to the work of economist Oliver Williamson, Putnam *et al*. (1993:166) argued that effective institutions help reduce the transaction costs incurred in monitoring and enforcing contracts, of doing business and, thus, limit opportunism and shirking of problems. Thus, effective institutions increase the likelihood of higher profit margin which translates into higher per capita income. It is further argued that, for institutional arrangements to positively affect the development process, their boundaries must be clearly defined, concerned parties must contribute to the elaboration of the rules, violators must be sanctioned as provided by the rules, and the costs of resolving conflicts through the institutions must be low (Putnam, *et al*., 1993:166).

An institution, as defined in Woods (2004:1402), refers to the "quality of formal and informal sociopolitical arrangements, ranging from the legal system to the broader political institutions." Institutions are also conceived of as the set of rules for human interactions and practices, and enforcement of property rights and the rule of law, all of which are crucial to the development process. When comparing geographic location and

institutions for their effect on economic development, economists argue that institutional effects are by and large far greater than geographical effects. Woods argued that institutions play a significant role in the development of human capital of a country. He also argued that institutions determine a country's level of integration within the international division of labor as well as its overall wealth. In this way, an institution is seen as playing a coordinating role in the different aspects of social life within a particular society. For example, protection of property rights and the provision of security give investors confidence in the system and encourage them to invest in productive activities.

Furthermore, Woods (2004) argued that the mere existence of institutions is not enough to guarantee their contribution to development. The types and quality of the existing institutions also matters. Particular types and qualities of institutions enable the leadership of a particular society to develop the framework necessary to overcome other obstacles to development. It is in this sense that Woods argued that the role of institutions in fostering development is far more important than trade and economic integration since institutions define the boundaries within which these activities take place.

Woods turned to Acemoglu *et al*. (2002) and Rodrik (2003) for empirical evidence of the effect of institutions on development. Analyzing the type of institutions developed by European settlers during colonialism, Acemoglu and his co-authors found that the quality of institutions is the key factor in determining whether and to what extent institutions affect prosperity. Specifically, institutions dealing with private property rights

and the rule of law in poor regions displayed more positive effects on long-term prosperity than extractive institutions (extractive institutions refers to cases where resources from the colonies were extracted and transported to the metropole . . . in raw form). For example, former European colonies or colonized people such as the Mughals, Aztecs, and Incas, with extractive institutions, were among the richest societies in the 1500s and are now among the poorest (Woods, 2004:1407).

Rodrik's case studies of the institutional effects on development (in China, Mauritius, and India) strived to explain how and why institutions are so important in this regard. While he found no simple answers to these questions, since the effects vary from country to country, he found that what matters the most is some form of institutional capacity tailored to the local conditions that meets the needs of the economy. In other words, according to the author, good quality institutions do bring about improvement in the functioning of the economy, but there is not really a specific type of institution that uniformly meets the needs of all countries. The more advanced the economy, the more complex its institutional needs, and vice versa (Woods, 2004:1408).

The discussion of the effects of institutions on economic growth is further advanced by Sindzingre (2005:285) who argued that institutions play a key role in determining the success or failure of a society. The author argued that it is the quality of internal institutions that determines the effective contributions or harmful damages of external forces as well as the efficient use of internal resources. In other words, having the right institutions in place is crucial to economic development. The author argued that such effects can be both direct and indirect. For example, health institutions contribute to

growth by reducing disease outbreak that could prevent workers from working for wages. Sindzingre found that poor institutional quality played a significant role in the poor export performance of Sub-Saharan Africa. This is due, in part, to the poor connections between institutions and policy choices and the influence of political institutions on policy making.

The discussion over the important role of institutions in fostering economic development is furthered by McMillan and Woodruff's (2002) argument about the joint role of government officials and entrepreneurs in transition economies. Their argument exemplifies Adam Smith's dictum that the entrepreneur promotes both his or her interests and that of society "by creating jobs, supplying consumer goods, and constraining the market power of state firms and building reform momentum" (McMillan and Woodruff, 2002: 168). In order to do so, there must be market-supporting institutions such as property rights and the rule of law that provide for enforcement of contracts, and for regulating financial institutions that attract and mobilize savings and facilitate loan acquisitions. The authors argue that these institutions are so important for the functioning of the market that entrepreneurs will create their own informal versions of them through mutual cooperation. As markets become more complex, formal institutions replace the informal ones.

In his case study of Ghana, Haruna (2001) advocates a reflective public administration model in which government administrators act as civil servants of society and work together with citizens to address problems jointly and to tailor policies based on concrete and lived experiences of the people. This advocacy is a call to go beyond the

bureaucratic and governance models of public administration to create institutions that will lead to true development of the people. Achieving this model requires that the elite acknowledge the responsibility to foster the sustainable well-being of all citizens. Meizen-Dick *et al*. (2002) attribute a central role to property rights and collective actions on natural resource management which in turn has significant effects on socioeconomic development. Their findings show that property rights and collective action have direct impacts on productivity, poverty, and environment while also having an indirect effect on them through technology choice and adoption.

Lynn (2003) found that, despite the difficulties in defining and measuring institutions and their correlation to economic growth and efficient and honest government, where property rights prevail there is more efficiency in allocating investments that may improve economic growth. Lynn also highlighted the role of financial institutions in attracting savings and facilitating access to credit by those who need it. In other words, financial institutions serve as intermediaries between savers and borrowers, and only trust and well-functioning financial institutions will allow the transfer of financial resources from urban to rural markets where the needs for investment are often the greatest in developing countries.

Democracy

The evidence about whether democracy positively affects the level of human development of a country has been both inconclusive and controversial (Bardhan, 1993). The definition of democracy is both simple and complex. Jaggers and Gurr (1995)

defined democracy as the opposite of autocracy. They derived this simplistic definition from the complex definition by Sartori (1987:206) who presents democracy as "a system in which no one can choose himself, no one can invest himself with the power to rule and, therefore, no one can abrogate to himself unconditional and unlimited power" (Jaggers and Gurr, 1995:469).

Jaggers and Gurr (1995) identified three essential and interdependent dimensions of western democracy. First, they argued that democracy coexists with institutions and procedures enabling citizens to effectively express their choices for political policies and political leaders. They further argued that this element of democracy is possible only through a system where regular and meaningful competition exists among individuals and organized groups, where no one is purposely excluded in the selection process of political leaders and policies, and where there are enough political liberties to guarantee democratic participation, the application of democratic procedures, and the erection and maintenance of democratic institutions. This first dimension of democracy can be referred to as an 'institutionalized political competition.'

The second dimension of democracy is the capacity that citizens have not only to choose their political leaders but also to establish institutional constraints that regulate executive power invested in the chosen leaders. The third dimension of democracy is that it guarantees all citizens civil liberties in their daily activities and their political participation. In other words, democracy guarantees the respect for human rights for all. The authors further argue that the institutional dimensions of democracy are manifested

through the presence of ‘rule of law,’ ‘systems of checks and balances,’ ‘freedom of the press,’ and the like (Jaggers and Gurr, 1995).

It is through these institutional lenses that theorists of development and social scientists like Putnam *et al*. (1993), Quinn and Woolley (2001), Baum and Lake (2003), and Bardhan (1993), argue that democracy contributes to the sustainable socioeconomic development of the state. Putnam *et al*. (1993:63-64) argued that democracy contributes to sustainable socioeconomic development since democratic governments are compelled to be responsive to citizens’ preferences. That is, along with a democratic system come civic rights to challenge governments, both local and national, in their way of conducting public affairs and meeting citizens’ demands. Therefore, this citizen-government interaction compels democratic governments to be comprehensive and innovative in their actions, to be internally consistent in delivering services, and to pursue those actions in a sustainable manner. The point here is that, in a democratic system built on democratic institutions, governments are evaluated on how well those whom they govern give the government incentives to further fulfill citizens’ demands. In other words, a democratic government grows stronger as it positively responds to the pressure of powerful civic communities with the end results being a more developed state (Putnam *et al.,* 1993:182)

In their efforts to assess the effects of democratization on economic growth, Papaioannou and Gregorios (2005) conducted a before-and-after study of countries that have abandoned autocracy to adopt democratic institutions. The results of their study reveals the following: a) democratization results in annual real GDP per capita growth of one half to one percent; b) growth drops during the transitional period of democratization

but stabilizes later at a higher rate; and c) that countries with higher levels of human capital gain the most from the democratization. This study also found that, on average, the growth rate slowed down for countries that have receded from democracy into autocracy. It is also important to note that the authors paid careful attention to two types of countries in their study: countries that have adopted representative governments and that have also engaged in consolidating democratic institutions.

The effect of democratic institutions on the prosperity of a country was previously investigated by Rodrik (1999) who argued that these institutions enable countries to mediate internal social conflict while becoming resilient to external shocks. He perceives democratic institutions as encompassing a judiciary system that operates independently and effectively; a bureaucratic system that is honest and corruption free (or with a minimal level of corruption); and an institutionalized atmosphere that creates and maintains social confidence in the state. His comparative studies of rates of economic growth from 1960 to 1975 and from 1975 to 1989 revealed that countries that experience the most drastic drops in their growth rate in the second period were the ones with most internal conflicts and the weakest democratic institutions to mediate those conflicts. These findings are essential to this study since income per capita (one of the composites of the HDI) and real GDP are positively related (Quinn and Woolley, 2001).

Quinn and Woolley (2001) found that democracy is positively associated with 'lower rates of economic volatility' which is, in turn, a precondition for long-term economic growth. This association between low economic volatility and economic growth was related to voters' hopes for their individual prosperity and for the stability of

the overall economy. What this means is that voters are less likely to "penalize" government incumbents because of a slow increase in economic growth, and more likely to inflict severe penalties on incumbents for increases in economic volatility.

Mobarak (2004) basically argued the same thing. He argued that the link between democracy and development is better understood through the volatility mechanism since development requires sustained increases in income. Using the Gastil's democracy index, Mobarak found that a one standard deviation increase in that index leads to about one percentage point decrease in economic growth rates. He found volatility to have a significant negative effect on growth: two percentage point decrease (or 0.8 standard deviations) in growth for one standard deviation increase in volatility. The sum of Mobarak's argument is that development of a country depends on its ability to sustain (with lower growth volatility) its growth over a long period of time. Such sustainability is indirectly but positively related to the level of democracy. Their findings also reaffirm Putnam's findings in Northern Italy that democratic institutions contribute to better economic performance through the efforts of democratic governments to be responsive to citizens' preference.

Perhaps the work that deserves most attention in this review is that of Baum and Lake (2003) who argues that democracy does have positive effects on economic growth though such effects are rather subtle, indirect, and vary with the development level of the country. The authors argue that understanding the effects of democracy on growth requires careful analysis instead of just adding some democracy variables to existing economic models. They further argue that it would be incorrect to expect uniform effects

across different types of countries. Their findings revealed that the indirect effects are manifested through life expectancy and the completion rate of secondary education of the citizens of the country. These effects also differ for poor versus non-poor countries. For example, the effects of democracy on life expectancy are positive and significant in sixty-two percent of countries with annual GDP per capita of less than $2500 (the study included 128 over a 30-year period between 1967 and 1997). More specifically, the results of that study showed that life expectancy increased by about 9.4 years in poor countries with the maximum increase in democracy. When considering the countries with GDP greater than $2500, no significant effect of democracy on life expectancy was found. The authors also found life expectancy to have a positive effect on economic growth. Economic growth increased by approximately one-tenth of one percentage point for every additional year of life expectancy. These findings led them to conclude that the indirect effects of democracy on economic growth vary with the development level of the country(Baum and Lake, 2003:.339).

With regard to the effects of democracy on economic growth through secondary education, a positive association was found between democracy and secondary school attainment, which in turn has a positive and significant effect on GDP. This effect is very weak for poor countries. Specifically, a maximum increase of democracy in countries with GDP per capita greater than $2500 per annum corresponds to an increase of twelve female students in secondary enrollment. The same increase in democracy in countries with GDP less than or equal to $2500 corresponds only an increase of 3.5 students in secondary enrollment (female enrollment is used since females are usually less likely to

have access to education particular in non-democratic systems) (Baum and Lake, 2003:.339)

The theory that Baum and Lake advanced for the indirect effects of democracy on growth is that of the "compatibility school" that argues that democracy works well as a safeguard for the private sector, providing for economic freedom and incentives for investments while facilitating more efficient resource allocation. This also limits the intervention of the state in the market and results in an economic environment more favorable to growth. These authors also argued that democratic governments are more likely, than their counterparts (autocratic governments), to provide better public services and to invest more in human capital.

Bardhan (1993) argued that democracy can lead to development, but there must be a sense of cohesion among the population. He also argued that to better understand the effects of democracy on development one must go beyond per capita income as a development indicator to incorporate general well-being indicators such as civil and political freedoms. He further pointed out that the link between democracy and development lies in the fact that non-democratic regimes, governed by a handful of insulated elite, are likely to invest in large-scale technocratic development projects that seldom take the needs of the masses into consideration. Instead of contributing to development endeavors that benefit all, these projects often end up as government strategies to reward personal friends and supporters -- thus bypassing opportunities for long-term and sustainable development. Bardhan's argument is that such behavior is

unlikely to occur in a working democracy like the case of Northern Italy studied by Putnam (1993).

In sum, democracy affects the level of economic growth, which, in turn, is likely to affect economic and human development. Sustained economic growth is absolutely necessary for development to occur (Lynn, 2003:11-12; Mobarak, 2004) and sustained economic growth is closely associated with development of democracy. The literature review presented in this section presents democracy as having positive effects on society. Nonetheless, like everything else, democracy can have negative effects on society depending on how those practicing it use it. This study is concerned with the positive effects of democracy on the level of human development.

Corruption

Numerous empirical studies have identified corruption, somewhat the opposite of morality, as one of the major internal obstacles impeding the sustainable socioeconomic development of less developed countries (Lambsdroff, 1999; Bardhan, 1997; and Bayley, 1966:725). All of these studies show that corruption is one of the most severe types of paralysis from which any society can suffer. They all conclude that sustainable socioeconomic development and corruption are inversely related. Shleifer and Vishny (1993:605) “define government corruption as the sale by government officials of government property for personal gain.” A better definition is that of Lynn (2003:289) who argues that corruption takes place any time government or private sector officials

seek additional payments to deliver their services or use an organization's assets to acquire personal gain.

In his studies of the effects of governmental corruption in a developing nation, Bayley (1966) identified ten different ways in which corruption harms developing countries. First, the corrupt act is perceived as a failure in achieving worthwhile objectives that the government has set for its country. By not achieving those objectives because of the corrupt behavior, a cost is imposed on the government. One example would be the case where corruption occurs in hiring employees in the pursuit of efficiency and carrying official tasks, but favoritism takes precedence over competence. In this case, the cost to the government is the inefficient use of employee salaries and ultimate waste of resources since those hired are likely to be incapable of performing the required and desired tasks. Second, corruption increases the operating costs of businesses. It can be seen as double taxation. Specifically, a businessman who has to pay a bribe after the official taxes, has inflated operating costs.

Third, kickback as a form of corruption results in diverting public resources to private gains. Diversion occurs when government officials award contracts to their associates for an amount below the actual worth of the contract and then receive the difference as a personal benefit outside of the actual contract. A fourth effect of corruption is its influence on morality within an administrative unit or a society at large. This influence is a function of the persistence of corrupt activities, their perceived rewards, and the impunity with which these activities take place.

Fifth, governmental corruption diminishes respect for legitimate authority. It destroys the faith of the people in government fairness. Sixth, corruption in government sets the example for everyone else to get involved in it as well. What this means is that others are likely to follow whatever government officials, the national leaders, do including being corrupt. Seventh, corruption leads to the "unwillingness of politicians to take actions that are necessary for development but unpopular with the masses of the people" Bayley (1966:723). It creates an environment unfavorable to the rise of any uncommon political courage capable of spurring any sustainable action.

Eighth, widespread corruption also creates the need to develop and maintain "special" relationships with people in high places so as to increase one's chances of obtaining favorable outcomes. It forces individuals to form cliques aimed at circumventing bureaucratic or legal rules in order to create enough pull to win over others' claims. People spend more effort in developing these types of contacts than they spend in improving their credentials. Ninth, when corruption is perceived as institutional discrimination or injustice to the common citizens, it results in litigations, calumnious charges, and bitter grievances. Tenth, in an environment where corruption prevails, money becomes the oil that keeps the wheel of the bureaucratic machine moving. In this case, decisions are made in terms of how much money can be paid instead of in terms of human needs. Therefore, those who lack money to oil the wheel are stuck with their problems and are likely to be left behind.

While the consequences listed above tend to occur at the micro level, Lambsdroff (1999) identified several consequences at the macro level of society. Macro sectors

affected by corruption include total investment, gross domestic product (GDP), government expenditure, capital inflow and foreign direct investments (FDI), international trade, and foreign aid.

First, Lambsdroff found that corruption negatively impacts the total investment of the country where it is prevalent. This finding is based on the analysis of empirical studies made by Mauro (1995) using a sample of 67 countries. For example, Mauro argued that improving the integrity of Bangladesh bureaucratic system to approximate that of Uruguay could boost its investment rate by up to five percent of its GDP. This claim has been supported by many other studies using different corruption measures such as "institutional quality." They all found a negative association between corruption and investment rates even when corruption is incorporated among other explanatory variables. However, Wedeman (1996) cited in Lambsdroff, 1999, argued that this negative association holds true only for countries with low levels of corruption. He argued that corruption tends to have a lesser effect on total investment in countries with higher levels of corruption (Lambsdroff, 1999).

Second, Lambsdroff found a strong negative correlation between corruption and GDP per capita. That is, GDP per capita is likely to be low where corruption is high. The extent to which the relationship between per capita GDP and corruption is causal remains unclear. Different studies using different analysis techniques have shown different results. When the ratio of GDP to capital stock is used as a macroeconomic measure of capital productivity, Lambsdroff found the impacts of corruption on this ratio to be

significantly negative. This result holds true when controlling for the capital stock and testing for other variables (Lambsdroff, 1999).

Lambsdroff also found the impact of corruption on government expenditure to be largely inconclusive. In general, government spending may increase but this increase only leads to private gain. Government spending in areas such as education is likely to be adversely affected by corruption and thus remain low since education offers no opportunities for officials to collect any forms of rent. So, the lack of consistent and strong impacts of corruption on government expenditure seem related to the fact that the opportunity to use public spending for corrupt purposes varies by sector of spending.

Capital inflow and FDI are probably among the macroeconomic factors most affected by corruption in developing countries as foreign investors are likely to shy away from economic systems which are operating inefficiently. In his cross-section study of 65 countries, Lambsdroff found that, with a 99% confidence interval, capital inflows and corruption are inversely related. This finding holds true when controlling for independent variables such as GDP per capita, savings rates, and export of raw materials. The case of Columbia is a prime example of this effect where improvement in its overall integrity level to that of England resulted in increasing net annual capital inflows by three percent of the country's GDP (Lambsdroff, 1999).

The impact of corrupt behavior on international trade is found to be small but significant enough to impact the export competitiveness of the United States based on the imposition of the Foreign Corrupt Practices Act (FCPA). When controlling for variables such as common languages, geographic distance, export composition and trade blocks,

other countries such as Australia, Sweden, and Malaysia with anti-corruption laws face more difficulties in trading with countries where corruption is high. In contrast, countries like Belgium, France, Italy, The Netherlands and South Korea with less strict anti-corruption laws face less restriction in their international transactions with corrupt countries (Lambsdroff, 1999).

Finally, it is surprising that foreign donors do not discriminate against corrupt countries. According to some research on the impact of corruption on foreign aid, corrupt countries tend to attract more foreign aid from OECD countries. With regards to bilateral aid flows, while some Scandinavian countries and Australia tend to avoid giving aid to corrupt countries, the extreme opposite is observed in the case of the United States. That is, more of United States foreign aid tends to go corrupt countries. Lambsdroff argues that the authors of these studies on foreign aid did not perform any cross-checking to enhance the reliability of these findings, leaving room for skepticism over such controversies with regard to the United States' interaction with the corrupt countries.

Warren (2004) further argues that corruption is detrimental to the culture of democracy as it reduces the possibility for collective public actions. It also impedes the efficient delivery of public services through both the taxes imposed on public expenditures and the deviation of public activities toward sectors where those engaged in corrupt practices will derive private benefits. As people's confidence in decision-making processes decreases, they will tend to become cynical about public discourse and deliberations.

World System Theory and Socioeconomic Development

Contemporary underdevelopment theorists argue that a complete understanding of the conditions or causes of underdevelopment must consider the role of the "international system as an integrated unit of economic interactions" (Ollawa, 1983:125-129). Factors such as "nature and degree of capital penetration and resource exploitation, structures and varieties of dependency and economic domination, their impacts on development policies and strategies, and the mechanisms through which surplus value is extracted and transferred" should be taken into consideration in any studies of underdevelopment in developing countries, particularly in Africa (Ollawa, 1983:125-129).

In his formulation of world system theory, Wallerstein (1974) pointed to the effects of the relationship between core and periphery nations. One argument of his theory is that the underdevelopment of the latter is in part due to the imbalance of such relationships where the former are often in a position to dictate the terms of trade. Wallerstein also identifies the semi-periphery category as those nations that have been able to formulate development policies geared at taking charge of their own development and thus making the terms of trade with core nations fairer. Such has been the case for Thailand among other South East Asian nations (Kerbo, 2003).

When considering the effects of world system position on economic growth and income, Snyder and Kick (1979) found a high ranking in the world system of nations to have a positive effect on economic growth. Nolan (1983) found a high world system ranking had a negative effect on income inequality. Bro (2002) found world system

position to have a positive impact on economic development which in turn had a positive impact on education.

Numerous studies have found both foreign aid and foreign investments to have both positive and negative effects on economic growth. Edwards and Sen (2000) argued that foreign aid often results in sympathy for the poor instead of creating solidarity among them. The authors further argued that as foreign aid schemes draw citizens further apart, these schemes lessen the potential for any collective action toward a sustainable socioeconomic development (Edwards and Sen, 2000). Stoneman (1975), Beckford (1971), Chase-Dunn (1975), and Bornschier *et al.* (1978) all indicate that the effect of foreign aid and foreign investment on economic development varies with the indicators, flows or stocks, used to measure these variables. Studies by Bornschier, Chase-Dunn, and Rubinson (1978) found foreign aid and foreign investments, measured by stocks, to have a negative effect on economic growth. When using inflow of capital to measure the effect of the foreign aid and foreign investments on economic growth, the relationship becomes positive[1].

This mixed effect of foreign aid and investment reinforces the premises of the "mode of production" approach to development that foreign capital penetration does not necessarily lead to underdevelopment of Third World countries. This theory advances the argument that the penetration of foreign capital into a Third World country can result in growth or stagnation depending on the internal dynamics of the different modes of

[1] The difference between stocks and flow is that the former measures the accumulated amount of foreign capital that exists in a country while the latter measures the amount of foreign capital coming into the country.

production within that country (Chinchilla and Dietz, 1981). This argument is further advanced by Petras (1981).

Haiti could probably be taken as a prime example on how the world system order directly affect the level of human development in various countries. Haiti is the first black country to ever abolish slavery and to become independent in the world (Lee, 2003). Haiti is only second to the United States to become independent in the world system order in 1804 (Gros, 2000; Martin, 1999). These social and historical circumstances have probably cost Haiti the rest of its history. That is, the rest of the world was so upset by the to the point that the core countries would not recognize Haiti as a country in its early days. To begin with, the Haitian Revolution was unconceivable from the view point of the Europeans to the point that they overlooked it. It was unthinkable that a group of rebel slaves could defeat Napoleon's army, called the Grand Army for its military power back then. Therefore, Haiti, having become independent in 1804, was put in a very hostile situation vis-à-vis the super powers of the world back then. This hostile situation has also contributed significantly to Haiti current level of development (Gros, 2000). France wanted to reclaim Haiti as being its most prosperous colony. Thus, did not recognize its independence and did everything to undermine itst independence, recapture the island, and reestablish slavery. Slavery in the United States was threatened by the Haitian Revolution and independence. Therefore the United States refused to recognize Haiti as a country until one century later in 1915 with the American occupation, which was a long awaited opportunity. The consequences of Haiti's independence were isolation from its neighbors and former rulers, and denial of any opportunity to become

part of international networks and trade. The isolation from other nationsactually led to the 1915 occupation (Gros, 2000).

Gros (2000) also looked at the causes of Haiti's current situation from an internal perspective. He concluded that Haiti was a deeply fragmented social formation long before the outbreak of the Haitian Revolution. Such fragmentation still prevails today as it continues to hinder the country's state of development.

Summary

This chapter consisted of the literature on the different factors associated with the level of human development of countries. This review showed that the development level of a country is the product of both internal and external factors, specifically in the current era of globalization. The following chapter deals with the theoretical framework that is used in this study which draws significantly from the review in this chapter.

CHAPTER THREE

THEORETICAL FRAMEWORK

Introduction

The previous chapter suggests a broad view of the factors affecting the level of human development. This chapter discusses the theoretical framework which includes both sociological and economic theories about the factors affecting human development. The framework encompasses Durkheim's ideas on morality; institutional development with regards to Rostow's theory of stages of development; and world system theory of Wallerstein (1974). The framework also includes the "mode of production" approach to development.

Emile Durkheim's Ideas on Morality

Durkheim argued that "morality is closely related to the social structure" (Durkheim, 1925/1961:59, 1893/1964:79-80) of any society. He further argued that society is likely to lose its moral force if collective interest is only the sum of self-interests. Durkheim argued that it is morality that arouses in us the sense of duty we experience when performing certain actions. In other words, only morality, as a social fact, compels the individual to sacrifice his or her self-interests to that of the social whole. Therefore, regardless of its specificity, a strong common morality is necessary to motivate the individual or groups of individuals to work toward achieving the common good (Durkheim, 1925/1961:59, 1893/1964:79-80).

According to Durkheim, specific characteristics make an action moral. First, for him an action is moral if its target is social rather than individual or personal interests. In other words, moral actions focus on collective interests instead of selfish interests. Secondly, he perceives of moral action as motivated by social or altruistic sentiments. Egoistic desires are sacrificed for the benefit of the collectivity. Third, moral actions are socially prescribed according to society's ideals and moral values. Finally, society determines our adherence to moral codes. In other words, Durkheim perceived of morality as originating from society itself. He further argued that it is the sense of belonging to the larger society that compels us to act responsibly to that larger society. The individual has to identify him or herself with the larger society in order to take moral actions that ensure the welfare of the collective. Durkheim also thought of school and occupation as the mechanisms through which moral codes and values are transmitted from the larger to the individual (Lukes, 1972:417-419).

The lack of moral action in societies, particularly in the Third World nations leads to corrupt action where individuals (often times those in power) sacrifice social interests for their own personal interest. As a result, only those retaining control over socially-owned resources derive benefits from them, leaving a vast majority with its basic needs unmet. It is the sense of moral action that leads to the development of the hard/strong "state able to implement and carry out policies protecting national interests, thus giving more assurance of long term economic development" (Kerbo, 2003:579). According to Kerbo, the lack of moral actions results from what he calls *class struggle* wherein the elite of poor nations identify their interests not with that of their fellow citizens, but with

that of corporate elites from rich countries because the local elites receive handsome profits from the multinational corporations investing in the third world countries. Therefore, policies are tailored to accommodate the needs of those corporations in order to maintain the flow of profits favorable to the local elites regardless of the consequences on the welfare of the poor. It is in this sense that a lack of morality leads to corrupt behavior and, thus, lower human development in the less developed countries.

In this study, the approach will be to look at a measure of corruption (the opposite of morality) since no commonly agreed upon measures of morality have been identified in the course of this study. The general assumption would be that the greater the corruption level (and thus the lower the morality) the lower the societal human development level (measured by HDI).

Rostow's Theory of the Stages of Development

Rostow's theory of stages of development is also significant to this study. Rostow identified five stages in the development process of which the first is what he called "traditional fashion or vicious cycle of poverty." He argued that, to free itself from this cycle, a society needs to put in place "Preconditions for Takeoff" (second stage) toward a sustainable development path. Rostow considered "national unity" as one of the requirements leading to such "Takeoff" (third stage) which, in turn, depends on market expansion and the specialization necessary for "economically viable firms" to emerge. Rostow also argued that this third stage requires "social overhead capital" or infrastructures such as transportation, communication, and education necessary to enable

the market to function well (Rostow, 1960; Lynn, 2003:47-48). The lesson to learn from Rostow's theory is that the internal structure of a country is critical to its development. The "Preconditions for Take-Off," the "Take-Off," and the "Drive to Maturity" are the stages with which this study is most concerned since the focus here is on identifying the social factors impeding the sustainable socioeconomic development of the less developed countries (LDCs). These stages require sound education policy for all levels of education in order to supply the labor market with quality workers and to develop and implement 'research and development' programs that meet the demands of industrial development in a sustainable manner.

This study does not use Rostow's Stages of Development in the sense that the less today developed countries can simply follow the paths which developed countries followed toward their current level of human development. Here we are more concerned with establishing the "Pre-Conditions for Take-Off." In this study, we argue that, regardless of the era and regardless of the external factors that affect the level of human development of a country, there are internal conditions that must be met in order to foster the sustainable development of the country. Rostow's theory can be linked to Durkheim's concept of morality and Kerbo's view of the "barriers to economic development and poverty reduction" in the sense that there must be "national unity" where the elites assume their responsibilities to develop and implement policies favorable for the economy to "Take off."

The Traditional Societies: Kerbo described traditional society as one whose structure still reflects primitive ages. Output may increase and some technical and productive innovations in trade, industry, and agriculture may be observed in those societies. Output per capita remains limited as a result of the lack of systematic application of science and technology. Another characteristic of traditional societies is the vulnerability of those societies to political and social instability, the inefficiency of central rule, and the low maintenance of overall infrastructure such as roads. Of course, population size varies with harvest, war, and disease (Rostow, 1960:5). This description reflects the current conditions of periphery countries.

What is most significant is that, while the vast majority of the population that lives in rather primitive conditions have access to some of the innovations described above, such access does not improve their overall socioeconomic conditions. In fact, access to such innovations is likely to worsen their already precarious conditions. A good example is the spread of cell phone in Haiti. Giant cellular phone companies are spreading towers everywhere giving an expensive access to communication by the poorest of the poor. Whether the poor people of Haiti have enough business to justify the use of cell phone remains a concern. This is mainly because the pre-conditions that would favor enterprise development are not in place while the spread of cell phone assures the government a steady flow of taxes that do not always go back to developing the infrastructure that would improve economic development and reduce poverty. The result of these conditions is a vicious cycle of poverty.

The Pre-Conditions for Take-Off: In sum, the preconditions for take-off consist of a mixed strategy that includes economic progress favorable to foster "national dignity, private profit, the general welfare, or a better life for the children" (Rostow, 1960:6). This mixed strategy also includes education that meets the need for the economic progress, resulting in new enterprise development in both public and private sectors through the mobilization of savings and willingness to take risks in pursuing profitable initiatives. The mixed strategy also includes the emergence of financial and other institutions necessary to facilitate the development process while increasing investment in infrastructure such as roads, communication systems, and the production of commodities and raw materials demanded by the local and global markets.

Whether the lack of pre-conditions for take-off in today's less developed countries results from external influences or not, the fact remains that those conditions are necessary for development to occur. Furthermore, those conditions are necessary to mediate the effects of external influences.

The Take-Off: Rostow conceived of the take-off as a stage where the economy is soaring without the constraints and resistance of the old system of traditional societies where "growth becomes the normal condition" as a result of the pre-conditions put in place. At this point, the forces inducing economic progress continue to develop while responding to the needs of the economy. Rostow made it clear that, in the case of the United States and Britain, the take-off was not only the result of technological development, but also it was the result of the building up of social overhead (investments in infrastructures), the development of industrial and agricultural technology, and most

important of all, the emergence of a group with political power willing and capable of viewing economic development as a priority political agenda. In other words, Rostow considers the take-off (or economic boom) as the result of the development of a mix (infrastructure) of human, financial, and social capital. The literature review in the previous chapter shows that the lack of such institutional growth contributes significantly to the low level of human development of the less developed countries.

The Drive to Maturity: The "drive to maturity" stage is where the economy is no longer in a survival mode where ten to twenty percent of the national income is constantly reinvested in the economy making it possible for continuous economic growth which outpaces population growth. In this stage goods that were formerly imported are now produced at home and new import requirements are developed along with export to match them. In other words, the economy reaches the point where it takes control of its own destiny and moves beyond the original industries that induced the take-off. All of this happens as the result of the implementation of the pre-conditions for take-off – all of which most of the less developed countries fall short today.

The Age of High Mass-Consumption: This is a stage where larger and larger proportions of consumers are shifting their preferences toward the consumption of more durable consumer goods and services. At this point, basic needs such as food, shelter, and clothing are no longer concerns for the average person as a result of increase in per capita income which is related to the change in the proportion of the population living in urban settings and working in offices or skilled factory jobs. Rostow's stages also require the

presence of efficient institutions (legal, financial, health) to provide the services necessary to sustain them while keeping corruption to a minimal level.

Dependency theorists such as Andre Gunder Frank (1969) strive to explain underdevelopment in less developed countries from an external perspective, thus criticizing Rostow for being too internally focused and for ignoring the global market dynamics. The basic argument of dependency theory is that the underdevelopment of less developed countries is the result of external forces from capitalist developed nations. These developed nations use their military superiority and their position in the world system to shape the development process in the developing countries in ways that meet the developed nations' demands for raw materials and labor power. They do so by creating a dependent business class of local capitalists who maintain a position of privilege between its own people and the core nation. Hence, the less developed nations are condemned to underdevelopment unless they find ways of liberating themselves from the world capitalist system. One way to do this is to adopt a development path that starts from inside-out, from the local to the national levels (Kretzmann and McKnight, 1993; Frank, 1969; Lynn, 2003:49; and Chilcote, 1974).

Unless dependency theorists are so pessimistic to believe that less developed countries are doomed to remain in their current level of development, the prescriptions of dependency theory give legitimacy to Rostow's "pre-conditions for take-off" in the sense that less developed countries can and must define their own development paths that will allow them to take-off in their own way.

World System Theory

With his world system theory, Wallerstein (1974) also strives to explain how underdevelopment of the LDCs is the consequence of the history of their interactions in the world market. World system theory classifies nations into three categories namely core, semi-periphery, and periphery nations. The core nations are those that have very highly diversified economies that are very wealthy, and that retain both economic and military power over non core nations. They also export manufactured goods instead of raw materials. Core nations have a more complex occupational structure that provides for less income inequality than non core nations, with the United States being an exception (Kerbo, 2003). Other characteristics of the core nations include their high level of industrialization, their specialization in information, finance, and service industries. Perhaps the most important characteristic of the core nations is the complexity and the strength of state institutions which contributes significantly to both the external and internal management of economic matters. All of these characteristics place the core nations in a dominant position over the noncore nation. It is from this dominant position perspective that world system theorists perceive the relationship between a country's position in the world system and its level of development.

Periphery nations are less diversified as they often depend on one type of economic activity (agriculture in most cases) which results in high level of poverty. They often extract and export raw materials instead of using the raw materials to produce manufactured goods. Periphery countries are also likely to have a wide division of labor along with a high income inequality. Periphery countries are often characterized by a

huge gap between the handful of wealthy elite and the mass of the poor. Contrarily to the core countries, the periphery countries usually have weak state institutions resulting in the strong economic and military influence from the outside over them.

Semiperiphery nations are in between the core and periphery nations while moving toward industrialization. Their state strength level, their occupational structure, national wealth, and their level of income inequality place them between the core and the periphery nations. The semiperiphery state is certainly weaker than the core state, but, unlike the periphery states, they are not as economically and militarily manipulable as periphery nations.

Kerbo (2003) pointed out that, through the major corporations, the core nations maintain a monopoly over the means of the production of the world while performing the high-level production task such as automobile manufacturing, computer, aircraft, and electronic devices. On the other hand, the periphery nations possess very little of the world's means of production that exist within their own territory. The periphery nations have a less skilled labor force to process their raw materials into finished goods.

According to Kerbo, a country's position in the world system determines the share of rewards or resources it receives. Similar to class position within a particular society, the core nations receive the greatest share of the production surplus in the global system through the purchasing of raw materials from noncore nations at low prices and selling manufactured goods at high prices to the same noncore nations from which the raw materials originated. Kerbo (2003) identified five important benefits that core countries derive from their dominant position in the world system. These benefits include

access to large amounts of raw materials at cheaper prices, cheap labor, large profits from capital investments, a market to which they export their manufactured goods (made of raw materials from the noncore), and the migration of skilled professional labor from the noncore to the core. Kerbo classified the relationship between noncore and core nations as exploitative. He theorized that, despite some of the short-term benefits that noncore nations may enjoy from this relationship, the total impact of this relationship results in political and economic harm for the noncore nations in the long run. It is through these lenses that world system theorists theorize that position in the system is directly related to level of socioeconomic development.

Kerbo identified four major "barriers to economic development and poverty reduction" in less developed countries resulting from the core-periphery relationship: "the structural distortion in the economy," "agricultural disruption," "class struggle within," and "the power imbalances in the global stratification system and the dominant ideology of `free markets' pushed most strongly by the United States and agencies heavily influenced by the United States, the International Monetary Funds, IMF." He argued that these barriers are effective primarily because of the "class struggle within" which is basically a moral problem (Kerbo, 2003: 559-561)**.**

This core-periphery relationship can be measured by two variables namely state strength and capital penetration via foreign investment and aid. State strength basically refers to the control that a state has over its own domestic economic activities and its ability to compete in the world market. According to Kerbo (2003:578), state strength is an internal variable that can mediate the effects of external factors.

The Modes of Production Approach to Development

While world system theorists have criticized Rostow's Stages of Development for being too internally focused, they, too, have not escaped criticism for ignoring the importance of the internal dynamics of a social formation in explaining the development of underdevelopment in the less developed countries (Chinchilla and Dietz, 1981; Petras, 1981). Using the "modes of production" theoretical approach to development, Chinchilla and Dietz agree that development must be understood as the "development of capitalist development" as premised by dependency and world system theorists. The authors also argue that the degree to which external control and influence affect the development of a society depend on the strength of the internal structure to modify and shape such influence. This approach also takes into consideration the uniqueness of each national economy as well as its current stage of development. That is, each national economy should constitute the sole unit of analysis since it is a "concrete, historically created social formation which is formed by the `articulation' (interaction, linking, relationship) of two or more modes of production" (Chinchilla and Dietz, 1981:143). Therefore, the effects of capitalism cannot and should not be generalized as if all social formations are characteristically uniform. Such effects (domination, penetration, destructions, and replacement of precapitalist modes) have to be studied from both an internal as well as an external perspective. An internal perspective in this case would need to consider the stages of development of the social formation which is necessary to understand the process by which different modes of production are reproduced and how they are articulated with one another.

Petras (1981) also argued that the capitalist world market significantly affects the development level of any social formation as the vulnerability of the latter varies with its level of productive forces. Petras does, however, argue that theorizing about the causes underdevelopment cannot rely solely on external factors. It must start with an understanding of the internal dynamic of classes within the social formation. The lack of such understanding is misleading and likely to result in "abstract developmental imperatives deduced from a static global stratification system which increasingly resembles the prerequisites and equilibrium models of Parsonian sociology" (Petras 1981:152).

This study's theoretical framework, then, is based on the combination of insights from Durkheim, Rostow, dependency theory, world system theory, and the "modes of production" approach to development. These theoretical concepts are brought together since none of these theories individually seems to provide a complete explanation of why some societies experience a high level of human development while others are lagging behind. As Petras (1981:152) puts it, the "contest between internal class developments and the operation and demands of antagonistic class forces acting through the world market is one of the central issues to be confronted by socialist theorists…" It is in this light that this study attempts to bring rival theorists together in a complementary fashion.

The basic argument of this study is that if morality, as defined by Durkheim, can emerge in today's less developed societies the elites will would together to develop and implement the development path that guarantees the welfare of all of their fellow citizens. National dignity as prescribed by Rostow will compel the elites to work toward pulling

up the level of human development of their nations. Instead of favoring investors to the detriment of the welfare of their fellow citizens, the elites will strive to take advantage of global market opportunities to enhance the livelihood of their nation rather their own selfish interests.

The above literature review and theoretical framework suggests the following independent variables (as shown in Appendix A) : internal variables of commitment to education (as percentage of public spending), the corruption level, level of democracy, institutional quality and strength, and the strength of the state, and external variables including capital penetration and world system position. The external variables may all have direct effects on the HDI, but their effects may also depend on the strength of the state. That is, a strong and well organized state is likely to use foreign aid and foreign direct investment to foster the socioeconomic development of its people in a sustainable manner.

Hypotheses, based on the theories covered in this chapter are presented at the start of the next chapter. The results of the test of these hypotheses, combined with the multiple regression analysis and qualitative data, should shed light on the research question of this study is: Which social and economic factors alone or in combination seem to most strongly affect the level of human development (as measured by the HDI) in various countries?

Summary

The theoretical framework for this study, dealing with determinants of levels of human development, is based on a combination of theories. This framework has, at its

core, Durkheim's concept of morality which is related to Rostow's "pre-conditions for take-off" stage. World systems theory was used to discuss how the development of a country is affected by external factors. An alternative theoretical approach, that is, modes of production, assumes that the effect of external factors depends on the internal structure of a nation. This combination of theories seemed to offer the best approach to the understanding of a nation's ranking on the HDI. The hypotheses, derived from this theoretical framework, are presented in the next chapter on methods.

CHAPTER FOUR

RESEARCH METHODOLOGY

Introduction

The preceding chapter discussed the theoretical orientation of this study. This chapter presents the research methodology used in conducting the study. The methodology used is a mixed method approach combining both quantitative and qualitative techniques sequentially. The qualitative data collected is used to supplement the quantitative analysis which is the primary focus of this study. The qualitative method is used to better understand the quantitative findings following a deductive approach as described in Tashakkori and Teddlie (2003:214).

Research Design

This study used both quantitative and qualitative methods of data collection and analysis. The mixed methods design was a sequential one, with the quantitative data collection and analysis preceding the qualitative fieldwork. The intent was to use the qualitative data collection to develop a better understanding of the factors affecting the HDI. The details on the quantitative methods, which include the hypothesis-testing and the multiple regression analysis, are covered in the first part of this chapter, while the qualitative methods are covered at the end of the chapter.

Quantitative Methods

Hypotheses

Research Hypotheses

Based on the theoretical framework of this study the following are the hypotheses used to examine the relationship between the dependent variable, the Human Development Index (HDI), and each of the independent variables included in the study:

H1: The HDI of a country is positively associated with its level of public spending on education.

H2: The HDI of country is positively associated with its level of public spending on health care.

H3: The HDI of a state is positively correlated with its democracy index.

H4: The HDI of a country is inversely related to its level of corruption.

H5: The higher a country's Bureaucratic Efficiency Index, the higher its HDI is likely to be.

H6: The higher a country's external debt compared to its GDP, the lower its HDI is likely to be.

H7: World system ranking will be positively related to HDI.

H8: The HDI is directly related to its level of foreign direct investment.

Null form of the Hypotheses

The null hypotheses are as follows:

Ho1: There is no association between the HDI of a country and its level of public spending on education.

Ho2: There is no association between the HDI of country and its level of public spending on health care.

Ho3: There is no association between the HDI of a state and its democracy index.

Ho4: There is no association between the HDI of a country and its Corruption Perception Index.

Ho5: There is no association between the HDI of a country and its Bureaucratic Efficiency Index.

Ho6: There is no association between a country's total revenue and its HDI.

Ho7: There is no association between a country's rank in the world system ranking and its HDI.

Ho8: There is no association between the HDI of a country and its level of foreign direct investment.

The results of the tests of these hypotheses are meant to shed light on the research question of this study which is: Which social and economic factors alone or in combination seem to most strongly affect the level of human development (as measured by the HDI) in various countries? The above hypotheses were tested using data from a variety of sources as presented in the next section.

Data Sources

The quantitative data necessary for this study will come from a variety of sources namely the Human Development Report of the United Nations Development Programs (as the primary source), the Center for International Development and Conflict Management (CIDCM), Transparency International and the University of Passau, and Mauro (1995) (See Appendix A).

Data for the HDI, the dependent variable comes from the Human Development Report published annually by the United Nations Development Programs (UNDP, 2005). From all the possible countries in the HDI data base, three sub-groupings of countries were set up -- mainly because of the availability of data for the variables included in the study. The data for the quantitative methods were collected by different agencies and researchers using different sets of instruments. Not all of the countries found in the Human Development Report were found in the other (non-Human Development Report) sources. Hence, in order to examine some of the variable relationships some countries were excluded for parts of the analysis.

Data for variables such as education policy, health policy, and state strength came from the World Development Indicators (WDI) of the World Bank ((World Development Indicator, 2006) (www.worldbank.org). The World Bank database covers the period of 1960 to 2006 for almost all the countries in the world. This study covers only the period which allows the inclusion of as many countries as possible relative to other data sources.

- **Education Policy** is measured by public spending on education as percentage of gross national income (GNI). Here, public spending on education includes current

operating expenditures such as wages and salaries. The estimates were computed by World Bank staff using data from the United Nations Statistics Division's Statistical Yearbook, and the UNESCO Institute for Statistics online database. Data for this variable covers the period between 1996 and 2003 (World Development Report, 2006).

- **Health Policy.** Data for this variable come from the World Development Report, 2006. It is measured by the total spending per capita on health care which includes both public and private expenditures. Total spending per capita covers provision of preventive and curative health services, family planning activities, nutrition activities, and emergency aid set aside for health. The data for health policy is expressed in U.S. dollars for 1998-2003. The World Bank gathers the data from a number of sources such as the World Health Organization (WHO) and World Health Report and updates from the OECD for its member countries. The data is supplemented by World Bank assessment of poverty and country and sector studies (www.worldbank.org).
- **State Strength.** State strength is measured by total external debt as a percentage of GDP. It represents all debt owed to nonresidents and that is repayable either as foreign currency, goods, or services. Total external debt equals the sum of public, publicly guaranteed, and private non-guaranteed long-term debt, the use of IMF credit, and short-term debt which includes debt that matures in a year or less and past due interest on long-term debt. The data used in this study covers the 1993-2003 period. Main sources include World Bank and Global Development Finance (www.worldbank.org). The World Bank collects its data using survey methods and

remains the most trusted and consistent (for the number of years) source available for these variables.

- **Democracy**. Data on the democracy index comes from the Center for International Management and Conflict Resolution at the University of Maryland and George Mason University. Democracy is measured by the Polity IV Democracy Index
- **Corruption**. This data came from Transparency International and the University of Passau, Germany. Corruption is measured by the Corruption Perception Index (CPI).
- **Bureaucratic Efficiency**. Mauro's Bureaucratic Efficiency Index is used to measure institutional quality. This data comes from the United Nations Conference on Trade and Development (UNCTAD) which also provides information on capital penetration measured by foreign direct investment stocks.
- **World System Ranking**. The University of Pittsburg provides the data on world system position ranking.

Operationalization of Variables

Dependent variable

Human Development Index (HDI): The HDI is a composite index with components such as the health index based on life expectancy at birth, the education index based on adult literacy rate for ages 15 or older, and the GDP index based on income per capita. The HDI goes beyond measuring monetary wealth to bring the human/social dimensions of development to the forefront of debate over economic development. In doing so, the HDI takes into consideration how long and how healthy

people are living in various countries. It also includes the knowledge levels acquired by populations of countries by looking at enrollment ratios at the primary, secondary, and tertiary levels. The HDI and its components were developed by the United Nations Development Programs (UNDP). It ranges from 0 (lowest HDI) to 1 (highest HDI). The components are calculated and combined using specific formulas developed by the UNDP to determine the HDI of each country. The individual indexes are calculated using a maximum and a minimum for each of the three dimensions of human development. Then, one-third of each index is added together to make the HDI (UNDP, 2005:341) (See formula in Appendix C). The 2005 HDI data from the 2005 UNDP Human Development Report was used.

Independent variables

Education policy refers to the commitment of the government to education. It is measured in terms of public spending on education as a percentage of Gross National Income (GNI) which creates access to education for all. This study used data for the 1996-2003 period.

Health care policy refers to the overall commitment to providing health care for all since life expectancy depends on access to health care for all age categories and all strata of any society. It is measured by the per capita expenditure on health care. It combines both public and private spending on health care. Data for this variable covers the 1998-2003 period.

Democracy refers to the level of people's participation in the decision making process that affects their lives. It is measured by the Polity IV democracy index which measures: "institutions and procedures through which citizens can express effective preferences about alternative policies and leaders; institutionalized constraints on the exercise of power by the executive; and civil liberties to all citizens in their daily lives and acts of political participation" (University of Maryland, Polity IV, 2006:13). This index ranges from 0 (low) to 10 (high). The index is based on four criteria with scores assigned to the degrees of the each. The addition of the highest score equals to 10. These criteria include Competitiveness of Executive Recruitment (+1 to +2), Openness of Executive Recruitment (+1to +1), Constraint on Chief Executive (+1 to +4), and Competitiveness for Political Participation (+1 to +3). The addition of the highest scores equals +10. The (+) sign is used to distinguish the democracy index from autocracy index ranging between (0) and (-10). The data for the democracy variable covers the 1984-2003 period while the Polity IV data, as a whole (including other variables), is available for more than two centuries (See Appendix E for more details on this index).

Corruption refers to the extent to which government and private officials seek additional payment to deliver services for which they are already paid or when they use an organizational asset to acquire personal gain (Lynn, 2003). This variable is measured by the Corruption Perceptions Index (CPI) developed by Transparency International and the University of Passau, Germany. The CPI, which measures the "extent of corruption, is based on an eleven-point scale ranging from 0 (most corrupt) and 10 (least corrupt). This scale measures the perception level of the misuse of public power for private

benefits (Internet Center for Corruption Studies, 2005). (See Appendix F for more details on this index

Institutional quality is measured by Bureaucratic Efficiency (BE) Index, a composite score of the red tape, corruption, and the judiciary system efficiency indices. The BE index ranges from 1 (low) to 10 (high). The score for the sub-indices also ranges between 1 and 10. The average of the three sub-indices makes up the bureaucratic efficiency index. The original data for the three sub-indices were collected using survey methods (Mauro, 1995).

State strength refers to the extent to which a country controls the economic resources existing within its borders (Rubinson and Quinlan 1977; Gablet and Diamond 1979; Bro 2002). This study uses external debt as a percentage of total GDP to measure this variable. Kerbo (2003) uses the term hard state which he defines as a state capable of resisting external demand from outside groups seeking short-term gain. The more the state owns resources the more likely it will be able to resist external pressure by a foreign corporation. The same applies when a state has high debt levels. High external debt is perceive as a weakness preventing the state from developing and implementing the development plan that best responds to the needs of its people. Previous studies by Rubinson (1976) have made a distinction between internal and external state strength and used external debt to measure the latter.

Capital penetration or foreign investment refers to, for the purpose of this study, the degree of financial resources circulating in the country coming from outside sources. In other words, it refers to foreign-owned capital (Bornschier, Chase-Dunn, and Rubinson

1978). It is measured by net foreign direct investment stocks as a percentage of GDP. Boswell and Dixon 1990 and Kentor 1998 considered Foreign Direct Investment (FDI) as the best measure of a country's dependence on foreign capital.

Finally, **world system position** refers to the position a country occupies in the global market system classification. This classification ranks nations into core (developed) (3), semi-periphery (semi-developed) (2), and periphery (underdeveloped) (1) categories. (See Appendix A for more details). This classification was developed by Wallerstein (1974), but the measure used in this study was developed by Babone (2005) at the University of Pittsburg based on income per capita. Wallerstein's classification emerged from three categories of analyses, namely "network analyses of patterns of trades, network analyses of economic, political, and military relationships, and the distributional analyses of income levels" (Babone, 2005:29). Since all three analyses yield similar results in terms of the classification of countries into core, peripheral, and semiperipheral groups of nations, Babone expanded the distributional analysis of income levels to develop an up-to-date set of benchmarks for position in the world economy.

Subsets of the Data

This study focuses primarily on all Third World countries categorized into medium and low human development with a special focus on Haiti. In other words, the study is interested in understanding the factors that affect the socioeconomic development of those countries the most. In order to do that, all the 177 countries listed in the human development report of the UNDP are included in the study in order to better

assess how variations from low to high development are influenced by the independent variables included in the study.

Countries were only omitted based on the unavailability of data for certain of the variables. Therefore, in order to maintain a certain number of countries, the study was conducted with three subsets of the data: one that contains 64 countries, another that contains 96 countries, and yet another that contains 121 countries as explained below. All of the quantitative data used in this study are secondary, but they come from reliable sources.

Human Development Index (HDI): Data for the dependent variable, the HDI, came from the 2005 human development report. The HDI is computed using data collected by the World Bank. The formula used to compute the HDI is found in Appendix C (UNDP, 2005). Data for the independent variables came from a variety of sources. Data were available for **121** countries.

Education Policy: Data for education policy come from the World Bank data bases. The average of public spending on education as a percentage of Gross National Income (GNI) for the years 1996-2003 was used. Data were available for **96** countries

Health Care Policy: Data for health care policy also came from the World Bank data bases. This study used the average per capita spending on health (public and private combined) for the years 1998-2003. Data were available for **96** countries.

State Strength: This study used external debt as percentage of GDP to measure state strength. Data for this variable also came from the World Bank data bases. The

average external debt for the years 1993-2003 was used. Data were available for **121** countries.

Democracy: The data for the democracy variable came from the polity IV project developed at the Center for International Management and Conflict Resolution at the University of Maryland and George Mason University. This data set goes as far back as two hundred years. This study used only the *average* of the democracy index for the period 1984-2003. Data were available for **96** countries

Corruption: Data for the corruption variable came from the University of Passau, in Germany, and Transparency International. While the collection of this data set goes as far back as 1995, only the years 2002-2003 fit this study. Therefore the average Corruption Perception Index for those two years was used. This Subset includes **96** countries.

Institution: Data for the institution variable were available for only **64** countries. This study used the Bureaucratic Efficiency Index developed by Paul Mauro in 1995 using 1980-1983 data collected by the International Monetary Fund (IMF).

Capital Penetration: Foreign Direct Investment (FDI) stock as percentage of GDP was used to measure capital penetration. The data for this variable came from the United Nations Conference on Trade and Development (UNCTAD). The average FDI stock for the 1990-2004 period was used. There were **96** countries for which this data was available.

World System Position: Data for world system position came from a recent data set developed by Barbone (2005) at the University of Pittsburg. The average income per

capita for 28 years, 1975-2002 was used to classify the country as core (1) semi-periphery (2), and periphery (3). The sample includes **96** countries.

Data Analysis Procedures

The analysis of the effects of the independent variables on the HDI of various countries was both quantitative and qualitative. While the quantitative analysis focuses on all the countries included in the study, the qualitative analysis focuses only on Haiti.

Quantitative Analysis

Descriptive Statistics. To describe the general characteristics of the sample, measures of central tendencies were used. One frequency table is presented for each variable. Measures included means, and range for each variable.

Hypothesis-Testing. Most of the hypotheses were tested using Pearson's *r* as the measure of the association between the independent variable and the HDI. Spearman's *rho* is used to test two hypotheses. The Pearson's *r* was used as the measure of the association between most of the independent variables and the HDI, as well as between the HDI and each of the variables which comprise, namely, income per capita, adult literacy rate, and life expectancy at birth. Spearman's *rho* was used to measure the association of HDI with world system position and health care policy. Spearman's *rho* was used for two reasons: 1) World system position is an ordinal variable and 2) health care policy displays a non linear relationship with the HDI. The correlation coefficient allows the determination of the strength and the direction of the relationship between the

HDI and its predictors. Computation of the correlation coefficient was done using the Statistical Package for Social Scientists (SPSS) program.

Test of Significance: To test the significance of the association between the HDI and the independent variables, a probability of .05 or less ($p \leq .05$) was set as the basis upon which to reject the null hypotheses. Any probability greater .05 resulted in the failure to reject the null hypothesis indicating no association between the HDI and the independent variables under consideration.

Multiple Regression Analysis: Multiple regression analysis was used to determine the variance in the dependent variable explained by the combined effects of the independent variables that met the criteria for using this technique. Among the eight variables included in this study, only four of the variables met the criteria for using the multiple regression technique.

Using multiple regression techniques, I analyzed the combined effects of the four (education policy, democracy, corruption, and foreign direct investment) independent variables on the HDI. The multiple regression analysis was used assess the simultaneous effects of selected independent variables on the human development index. This study used the unstandardized least-squares multiple regression technique, which allows the prediction of the variations in the HDI associated with variations in the independent variables.

Computation was done using the Statistical Package for Social Scientists software/program. The significance level was set at $p \leq .05$. The coefficient of multiple

determination (R-square) is used to measure the strength of the combined association between the independent variables and the HDI (Healey, 2005:7-9, 263-269, 462-474). The standardized regression coefficient, beta, determines which variables are better predictors of the variation in the relationship between the HDI and the independent variables (Healey, 2005:263-269).

Qualitative Method

For the qualitative method, a key informant interview guide was developed and used for the key informant interviewees in Haiti. The questions were formulated only for selected variables. The interviews were conducted in French and Creole (see Appendix B). While the quantitative data available for this study is most invaluable in generating the pattern for the factors affecting the levels of human development of countries, each country's situation is somewhat unique. This is why a qualitative component is incorporated into this study.

The purpose of this qualitative component is to better understand the factors affecting the level of human development in Haiti and how specifically those factors operate in Haiti. It also provides for better understanding of the perception of the representatives from a diverse selection of government and other key national organizations about the factors affecting human development in Haiti. The author traveled to Haiti for six weeks (starting September 15, 2006) to conduct key informant interviews with experts and representatives of different sectors of the society.

Interviewees include three social scientists/university professors; two politicians (senators and/or deputy); two government officials; three representatives of the private sector and non-governmental organizations (NGOs), and development agents working for the government and NGOs carrying out development services to the population; and two educators. Interviewees were selected via invitation letter to participate and through the snowball sampling method where interviewees were asked to suggest other interviewees. Interviewees were contacted initially via their public contacts.

Interviewees were selected based on their expertise and involvement in the decision-making processes relative to socioeconomic development of the country, and in carrying socioeconomic development services to the population. While accessing the interviewees was a difficult task based on their time availability, the number of interviewees was distributed more or less evenly across the different sectors mentioned above. The information collected from each interview was transcribed immediately after the interview. In some cases, the author met with the interviewee twice both because of the availability of the latter and for further discussion.

The qualitative analysis was done using summaries of dominant themes and selective narrative segments from the interview in relation to each variable.

Summary

This chapter contains the hypotheses tested in this study, the research design, the operationalization of the variables, details on the data subsets, secondary data sources, data collection procedures, and an overview of the analysis procedures. The next two

chapters present the findings of the study. Chapter Five contains the findings of the quantitative analysis, and Chapter Six, the qualitative findings.

CHAPTER FIVE

FINDINGS: QUANTITATIVE ANALYSIS

Introduction

This chapter begins with a description of the countries taken from the Human Development Report. It contains descriptive statistics, the results of hypothesis testing, the multivariate analysis, and a summary of findings.

Characteristics of the Sample

Overview of all countries: HDI: high, medium, low: The Human Development Report (HDR) classifies all countries in three categories, high (.7 and above), medium (.5 to .69), and low (below .5) human development. The report includes 177 countries. The HDI of those countries ranges from .281 (for Niger) to .963 (for Norway). Due to the fact that data on some of the variables needed for this study were not available for all the countries, this study uses three selected subsets from those 177 countries included in the HDR. One subset includes 121 countries, another includes 96 countries, and another 64 countries, depending on which countries had data on specific independent variables.

Frequency Distributions

The Subset of 121 Countries

With a mean of 76.5, the percentage of the external debt for this subset (of the total HDI listing) of countries ranges from eleven percent to 582 percent of their total GDP. About sixty percent of these countries have external debt greater than forty-nine

percent of the total GDP. The HDI scores of those countries ranges from .28 to .88 with a mean of about .65. About forty percent of these countries have HDI scores below the mean. Only about twenty percent of those countries have an HDI of .80 or higher (with point .80 being the starting point of high human development category of the HDI).

Table 5.1: Frequency Distribution for External Debt

Ext. Debt	Frequency (N=121)	Percent
11-49%	48	40
50-75%	34	28
76-582%	39	32

Mean = 76.5%

The Subset of Ninety-Six Countries

The mean per capita health care expenditure was $611.70. Seventy-six percent of all the countries included in this study were below the mean with spending ranging from $5 to $552. The rest spent between $800 and close to $5000 per person per year. Thus, there was a huge gap among countries in per capita spending on health care. The distribution of the HDI scores of those 96 countries range from .37 to .96. With a mean of about .75, approximately thirty-seven percent of those countries have HDI scores below the mean, with all the rest above the mean.

Table 5.2 Frequency Distribution of Health Care Spending

Health Care Spending	Frequency (N=96)	Percent
$5-$552	73	76
$800-$5000	23	24

Mean = $611.70

The world system position index is an ordinal variable that requires the use of spearman's *rho* for the statistical analysis of its association with the HDI while the other variables that are interval-ratio variables require the use of Pearson's *r*. Approximately forty-five percent of all the countries included in this sample of 96 are periphery countries, twenty-eight percent are semi-periphery nations, and the rest are the core nations.

Table 5.3: Frequency Distribution for World System Position (WSP)

WSP	Frequency (N=96)	Percent
1 Periphery	43	45
2 Semi-Periphery	27	28
3 Core	26	27

Mean = 1.82

Looking at the other four variables for the subset of ninety-six countries, 60 percent of the 96 countries included in the sample have a corruption perception index value below the mean which is 4.4. Twenty percent of the countries have a CPI below 7, and the others have a CPI above 7 (Index: 1- high corruption level and 10-low corruption level).

Table 5.4: Frequency Distribution for Corruption Perception Index (CPI)

CPI	Frequency (N=96)	Percent
0-3.99	58	60
4-7	19	20
> 7	19	20

Mean = 4.4

For the democracy index, the mean for the 96 countries is 5.5. About forty-five percent of those countries have a democracy index score between zero and five. Twenty-one percent of those countries have a democracy index score between six and seven, and the rest have a score between eight and ten as indicated in Table 5.6 (1 being low and 10 being high democratic level).

Table 5.5: Frequency Distribution for the Democracy Index

Democracy index	Frequency (N=96)	Percent
0-5	43	45
6-7	20	21
8-10	33	34

Mean = 5.6

Public spending on education was measured as a percentage of gross national income (GNI). Spending levels range from .85 to 9.37 percent of GNI. Grouping those with similar spending levels together, approximately seventy percent of the countries spend less than five percent of their GNI on education. The other 30 percent spend

somewhere between five and nine percent of their GNI on education. The mean of public spending on education is 4.2 percent.

Table 5.6: Frequency Distribution for Education Spending

Education Spending	Frequency (N=96)	Percent
.85-4.99%	67	70
5-9%	33	30

Mean = 4.2%

With a mean of around twenty-five percent of GDP, foreign direct investment ranges from one percent to 117 percent. Sixty-three percent of the countries included in this sample have a FDI of less than twenty-five percent of their total GDP. The other thirty-seven percent of the countries have a FDI between twenty-five and 117 percent of their total GDP.

Table 5.7: The Frequency Distribution for Foreign Direct Investment (FDI)

FDI	Frequency (N=96)	Percent
1-24%		63
25-49%		25
50-74%		7
75-117%		5

Mean = 25.4%

The Subset of Sixty-Four Countries

The HDI of the sixty-four countries, with information on the Bureaucratic Efficiency Index, range from .42 to .96. The mean score of the HDI of these countries is

.78 (0 is low and 1 is the high), and forty-four percent of them rank below the mean. The mean score on the BE Index, for the 64 countries with data on the BEI, was 6.75, with fifty-five percent of the countries below the mean. Only six percent of those countries had a score of 10.

Table 5.8: Frequency Distribution for the Bureaucratic Efficiency Index (BEI)

BEI	Frequency (N=64)	Percent
2-6.67*	34	55
6.77-9.75	26	39
10	4	6

Mean = 6.75

*Note: the range in each interval reflects the actual BEI scores for the selected countries. Hence, the first interval of BEI ends at 6.67 rather than 6.76. Similarly, the second interval ends at 9.75 rather than 9.99. What that means is that there were no countries in this study which had BEI between 9.76 and 9.99.

Results of Hypothesis Testing

This study used the Statistical Package for Social Scientists (SPSS) software to run the correlations for the descriptive statistics (in the previous section), the correlations for the hypothesis testing (in this section), and the multiple regression at the end of this chapter. Tables 5.9 to 5.17 summarize the results of the hypothesis testing.

Hypothesis 1

Null Hypothesis 1: There is no association between the HDI of a country and its level of public spending on education.

Research Hypothesis (H_1): The HDI of a country is positively associated with the level of public spending on education.

Table 5.9: Pearson's Product Moment Correlation between the HDI and Expenditure on Education (measured by education expenditure as a percent of gross national income).

Hyp.	*Independent Variable*	**n**	***r***	***p***
H_1	Expenditure on Education	96	.359	<.001***

***** Significant at the .001 level or better**

This result fits with ideas from Adam Smith's theory on the wealth of nations and Rostow's (1960) stages of development. The theoretical framework for this study led to the hypothesis that expenditure on education plays a key role in predicting the ranking of countries in the HDI. Both Smith and Rostow considered investment in education as one of the key elements necessary for a society to improve its socioeconomic conditions. Spending is a function of government commitment to education.

With a sample of 96 countries, this study found a significant, moderate, and positive association between the HDI and public spending on education (r = .359, p< .001 as displayed in Table 5.9). Therefore, the null hypothesis of no association between a country's HDI and its level and public spending on education is rejected. The HDI of a country is positively associated with its level of public spending on education.

This combination of moderate, positive, and significant relationship between the HDI and education also fits with Lynn's (2003) argument that education alone cannot transform a society. The findings related to public spending on education fit with Rostow's ideas on the preconditions for take off. That is, education is a key component leading to development, though it cannot independently make development happen.

Rostow perceived of education as part of the mixed strategy necessary for socioeconomic progress to occur.

There must be other investment made in any society, particularly in the economy in order for that society to benefit from its educated class. That is, those with higher levels of education must have a job, be self- employed or working for someone else, in order to contribute to the well-being of their society. These findings also support Kingston *et al*'s (2003) argument that better educated individuals are healthier, richer, wiser, and more apt to actively participate in political and civic life.

Hypothesis 2

Null Hypothesis 2: There is no association between the HDI of country and its level of public spending on health care.

Hypothesis (H_2): The HDI of country is positively associated with its level of public spending on health care**.**

As displayed in Table 5.10, a significant strong, and positive correlation was found between the HDI and health expenditure per capita with a Pearson's $r = .630$ and $p<.001$. The scattergram plotting the relationship between the two variables shows a curvilinear relationship between the two variables. The level of per capita spending does not seem to affect HDI score after .80 since the HDI stabilizes regardless of the amount of dollars spent per capita on health. For such case, Healey (2005) suggests treating the health expenditure as an ordinal variable. When using Spearman's rho to measure the correlation between the health expenditure and the HDI, the correlation is almost perfect

with rho = .919 at the level of p<.01. Using Kendall's tau (*b*), the correlation coefficient drops to .766, and is still significant at p<.01. In either case, the association between health spending per capita and the HDI remains significant and strong. Given these results, the null hypothesis of no association between the HDI and health care policy is rejected while the research hypothesis is accepted. HDI and health care expenditure are positively associated.

Table 5.10: Pearson's Product Moment Correlation between the HDI and Level of Public Spending on Health Care.

Hyp.	***Independent Var.***	***n***	***r***	***p***
H_2	Health Care Expenditure	96	.630	<.001***

***** Significant at the .001 level or better.**

Hypothesis 3

Null Hypothesis 3: There is no association between the HDI of a state and its democracy index.

Hypothesis (H_3): The HDI of a state is positively correlated with its democracy index.

As demonstrated in Table 5.11, the correlation between democracy and the HDI is significant (p<.0001) and strong and positive (*r* = .718). Based on these results, the null hypothesis of no association between the HDI and democracy is rejected. It can be

concluded that there is a strong positive association between the HDI of a country and its democracy index.

Table 5.11: Pearson's Product Moment Correlation between the HDI and Democracy Index

Hyp.	*Independent Var.*	*n*	*r*	*p*
H_3	Democracy Index	96	.718	<.001***

***** Significant at the .001 level or better**

The findings on the relationship between democracy and the HDI are consistent with findings from other studies discussed in Chapter Two. Among other things, a well-established institutional democracy provides for a stable environment that favors economic growth. Institutional democracy, as discussed by theorists of development and social scientists like Putnam *et al*. (1993), Quinn and Woolley (2001), Baum and Lake (2003), and Bardhan (1993), also enables citizens and government officials to work together to address social problems. This, in turn, should establish a better foundation for stable economic development. Baum and Lake (2003) also found that countries that have abandoned autocracy for democracy have had a significant increase in their life expectancy and completion rate of secondary education. That means that democracy is associated with all three of the components of the HDI.

Hypothesis 4

Null Hypothesis 4: There is no association between the HDI of a country and its Corruption Perception Index.

Hypothesis (H_4): The HDI of a country is inversely related to its Corruption Perception Index.

Table 5.12: Pearson's Product Moment Correlation between the HDI and Corruption Perception Index.

Hyp.	*Independent Var.*	*n*	*r*	*p*
H_4	CPI	96	.710	<.001***

***** Significant at the .001 level or better**

At first, looking at the correlation coefficient between the HID and the CPI in Table 5.12 some explanations are necessary. The Pearson's *r* of .710 indicates a high *negative* correlation between the two variables. This number (as shown in the table) is positive because of the definition of the CPI. The CPI ranges from 1 to 10 with 1 being the most corrupt and 10 the least corrupt. So, the interpretation of this positive coefficient is that the less corrupt a country the higher its HDI. Therefore, the null hypothesis of no association between a country's HDI and its corruption perception index is rejected. It can be concluded that there is a strong, significant, and negative relationship between a country's HDI and its corruption level.

This finding is best understood using Durkheim's idea on morality (considered as the opposite of corruption). Durkheim argued that a sense of moral responsibility to others in society compels the individual to act in the interest of the collectivity. Kerbo (2003) argued that a lack of moral actions leads to the elite of poor countries acting more in terms of their own self interests rather than with concern for the interests of their fellow citizens. Elites tend to tailor policies to fit with the interests of multinational corporations that bring the local elites various advantages. According to Kerbo, it is the desire to sacrifice the collective interests in favor of personal gain that keeps the elite from developing countries from contributing to the take-off preconditions for their economy described by Rostow (1960). As a result, the majority of the population continues to struggle for its daily livelihood.

The findings on the corruption variable substantiate the conclusions of Lambdroff (1999), Bradhan (1997), and Bayley (1966) that corruption is one of the most severe types of paralysis from which a country may suffer.They all argued that corruption is one of the most powerful hindrances to sustainable socioeconomic development.

Hypothesis 5

Null Hypothesis 5: There is no association between the HDI of a country and its Bureaucratic Efficiency Index.

Hypothesis (H_5): The higher a country's Bureaucratic Efficiency Index, the higher its HDI is likely to be.

The results presented in the next table show that there is a positive correlation between a country's BEI and its HDI. With a sample of 64 countries, our findings reveal a positive correlation of $r = .642$ at $p < .0001$. Therefore, the null hypothesis of no association between a country's HDI and its bureaucratic efficiency index is rejected and the research hypothesis is accepted.

Table 5.13. Pearson's Product Moment Correlation between the HDI and the Bureaucratic Efficiency Index

Hyp.	***Independent Var.***	***n***	***r***	***p***
H_5	BEI	64	.642	<.001***

***** Significant at the .001 level or better**

According to these findings, there is a positive, significantly strong correlation between a country's HDI and its bureaucratic efficiency index. Looking deeper into the correlation between the BEI and the components of the HDI, the BEI is positively correlated to all three of them at the level of $p < .0001$. The strength of the association between the BEI and the health index is moderate ($r = .462$), with the education index ($r = .620$), and with the GDP index ($r = .713$).

This finding, dealing with institutional efficiency, supports theories about the relationship between institutions and sustainable economic development. All of the studies reviewed in Chapter Two argue that the mere presence of functioning institutions contributes to sustainable development. Mauro (1995:695), who developed the Bureaucratic Efficiency Index, used in this study as the measure of the institutional

efficiency, found that institutions affect economic growth. His argument is simply that a country with inefficient institutions, such as the legal and financial institutions, discourages economic investments. Of course, there must be investments for economic growth to occur. Looking at the correlations between the Bureaucratic Efficiency Index and the components of the HDI, the relationship between the BEI and the GDP index is stronger (r =.713) than the relationship between the BEI and the health index (r =.462) and the education index (r =.620).

Hypothesis 6

Null Hypothesis 6: There is no association between a country's external debt and its HDI.

Hypothesis (H_6): The higher a country's external debt compared to its GDP, the lower its HDI is likely to be.

The results presented in Table 5.14 indicate a statistically significant, moderate and negative relationship exists between the HDI of a country and its external debt (r = -.411 and $p < .0001$). The interpretation of these findings is that the external debt of the countries included in this sample is inversely related to their HDI. That is, the higher the external debt, the weaker the country is, and the weaker a country is, the lower its human development index. Based on these findings, the null hypothesis of no association between the HDI and external debt is rejected and the research hypothesis is accepted. The HDI and external debt are negatively correlated.

When considering the association between external debt and each component of the HDI, the negative correlation exists for all three of them at the level of p< .0001. The negative correlation between external debt and the Gross Domestic Product index is the strongest (r = -.488) compared to the relationship between external debt and the health index (*r* = -.333) and the education index (*r* = -.311). See Table 5.14 for more details.

Table 5.14: Pearson's Product Moment Correlation between the HDI and State Strength (measured by external debt as percentage of total GDP).

Hyp	***Independent Var.***	***n***	***r***	***p***
H_6	State Strength	121	-.411	<001***

***** Significant at the .001 level**

The findings related to the relationship between a country's HDI and the strength of its state is best understood in terms of Kerbo's (2003, 2005) work. That is, strong/hard states are likely to have higher HID while the weak states are likely to have low HDI. The strength of the state represents the means by which states exercise control and power in the world economy. The countries with higher HDI or the core countries usually exercise control and power over the periphery countries, which then keep the periphery countries as weak states. This control by the core countries is exercised through the association between the elite of the periphery countries and the elite of the core countries. The result of such links between elites in the core and periphery is greater socioeconomic inequality due to the fact that the production surplus is not reinvested in the local economy so as to

foster the well-being of the masses. Instead, part of that surplus is sent back to the core while the remainder is controlled by the local elite, which then leaves the majority of the population in the periphery exploited and deprived of basic needs.

Hypothesis 7

Null Hypothesis 7: There is no association between a country's rank in the world system ranking and its HDI.

Hypothesis (H_7): World system ranking will be positively related to HDI.

Table 5.15: Spearman's *Rho* Correlation between the HDI and World System Position

Hyp.	*Independent Var.*	*n*	*rho*	*p*
H_7	World System Position	96	.842	<.001***

***** Significant at the .001 level**

Using Spearman's *rho* to measure the association between the HDI and the world system position (which is an ordinal variable), a significantly strong and positive correlation (*rho* = .842 and $p < .0001$), was found between the two variables (Table 5.15). Based on these findings, the null hypothesis of no association between the HDI and world system position is rejected and the research hypothesis is accepted. World system position and HDI are strongly and significantly related.

As shown in Table 5.20 later in the chapter on page 87, it is also worth noting the significantly ($p<.0001$) strong correlations between world system position and the

components of the HDI, namely the education index with *rho* = .752, the health index with *rho* = .791, and the GDP index with *rho* = .882. Spearman's *rho* remains the appropriate statistic to measure the association between the HDI and world system position since the latter is an ordinal variable. When measured by Pearson's *r*, the association between the HDI and world system position is still strong and significant with r =.778 and p<.01, but as Table 5.15 shows this association is much stronger using Spearman's *rho*.

This finding supports the world system theory by showing that there is a positive relationship between world system position and the level of human development. The position of the core countries in the world system allows them to exploit resources in the periphery countries for their own benefits. The explanation here is not too different for state strength in the sense that core countries maintain control over the resources in the periphery countries. Because the core countries and the elite of the periphery countries exploit the resources in the periphery, the production surpluses in the periphery are not reinvested to expand socioeconomic opportunities for the majority of the population. This situation leaves the majority of people in the country unemployed, uneducated, and deprived of basic health care, resulting in a low HDI.

Hypothesis 8

Null Hypothesis 8: There is no association between the HDI of a country and its level of foreign direct investment.

Hypothesis (H_8): The HDI of a state is inversely related to its level of foreign direct investment.

Table 5.16: Pearson's Product Moment Correlation between the HDI and Capital Penetration (measured by net foreign direct investments stocks as a percentage of GDP).

Hyp.	*Independent Var.*	*N*	*r*	*p*
H_8	Capital Penetration	96	.092	.371

According to Table 5.16, the relationship between the HDI and foreign direct *investment* (p = .371) is not significant. Therefore, based on these findings, the null hypothesis of no association between the HDI and capital penetration cannot be rejected and the research hypothesis is supported.

Hypothesis 8 does not support the theoretical explanation developed in Chapter 3. Several reasons may explain this lack of support for a relationship between HDI and FDI. Chincilia and Dietz's (1981) explanation of the effects of external influence on the development of a social formation may be relevant. They argued that the effects, positive or negative, of any external force on the development of a country depend on the internal structure of the country.

Summary of Test of Hypotheses

The quantitative section of this study strives to answer the three basic questions of statistical analysis: Is there any association between the HDI and the independent variables being considered? If so, how strong is the association between the HDI and these variables? And, what is the direction of the relationship? The tables presented in

this chapter show that all but one of the variables included in this study are significantly associated with the HDI, and also that such associations are considerably strong for most of the variables. Except for *health expenditures per capita*, all the independent variables included study have a linear relationship with the HDI. The *corruption perception index* and the *bureaucratic efficiency index* also tend to have a non-linear tendency, but this is hard to confirm at this point especially for the *bureaucratic efficiency index* since the sample is limited to only 64 countries.

Table 5.17: Summary of Test of Hypotheses

Hyp.	**Association Between the:**	**H0: Rejected or Accepted**	Significance & Strength
1	HDI and Public Spending on Education	Rejected	**Sig. &Moderate**
2	HDI and Public Spending on Health Care	Rejected	**Sig. & Strong**
3	HDI and Democracy Index	Rejected	**Sig. & Strong**
4	HDI and Corruption Perception Index	Rejected	**Sig. & Strong**
5	HDI and Bureaucratic Efficiency Index	Rejected	**Sig. & Strong**
6	HDI and State Strength	Rejected	**Sig. & Moderate**
7	HDI and World System Position	Rejected	**Sig. & Strong**
8	HDI and Foreign Direct Investment	Not rejected	**Insignificant**

Inter-correlation Matrices

While all the variables included in this study, except for the foreign direct investment, are significantly related to the Human Development Index, only four of those variables could be studied simultaneously because data availability and the nature of the variables. The following matrixes display the correlation coefficients between the HDI and the variables included. Four of those are examined separately while the others are studied together. Therefore the following section contains two parts.

The first part includes the analysis of the correlations between each of the variables studied separately (Bureaucratic Efficiency, Health Expenditure, State Strength and World System Position), the HDI, and the composites of the HDI. This part is included for deeper understanding on how the factors included in the study affect the HDI since it a composite index. The second part contains the analysis of the correlations among the variables that are included in the multiple regression analysis.

Correlations between the HDI and All Variables not in Regression Analysis

Bureaucratic Efficiency: Table 5.18 displays the correlation between the BEI and the HDI and its components. It shows that both the HDI and its components are strongly and positively correlated (r =.642 and p <.0001) to the BEI. Looking at the interactions between the BEI and the components of the HDI, the findings are as follows: a significantly strong and positive correlation (r =.713 exists between the BEI and the GDP index; a significant, moderate and positive (r =.462) correlation exists between the BEI and the health index; and a significant, strong and positive correlation exists between the HDI and the education index.

Table 5.18. Correlations between the BEI and the HDI and its composites.

N = 64	1	2	3	4	5
1. Human Development Index	1	.920(***)	.916(***)	.948(***)	.642(***)
2. Health Index (computed using life expectancy at birth)		1	.737(***)	.807(***)	.462(***)
3. Education Index (measured by the adult literacy rate)			1	.832(***)	.620(***)
4. Gross Domestic Product Index (measured using inc. per capita)				1	.713(***)
5. Bureaucratic Efficiency Index (ave. of red tape, corruption, and the efficiency of the judiciary system)					1

***Correlation is significant at the 0.001 level.

State strength: The correlation between state strength and the HDI and its components is displayed in table 5.19. This association is moderate and negative but significant not only with the HDI, but also with all of its components. It remains the strongest between the HDI and Gross Domestic product index (r = -.488 and p <.0001). This variable meets the multiple regression analysis criteria. However, it had to be excluded from the model for sample size purposes. Including it would considerably reduce the number of countries included in the model and would likely reduce the strength of the other findings.

Table 5.19. Correlations between HDI and State Strength (Ext. Debt as % of GDP)

N=121	1	2	3	4	5
1. Human Development Index	1	.889(***)	.904(***)	.886(***)	-.411(***)
2. Health Index (using life expectancy at birth)		1	.669(***)	.688(***)	-.333(***)
3. Education Index (using adult literacy rate)			1	.738(***)	-.311(***)
4. Gross Domestic Product Index (using inc. per capita)				1	-.488(***)
5. External Debt as % of GDP Avg 1993-2003					1

*** Correlation is significant at the 0.001 level.

World System Position and Human Development Index: Table 5.19 shows the correlations between world system position and the HDI and its components. This association is significantly strong and positive (r =.75 or higher and p<.0001) not only with the HDI but with all of its components. This variable is excluded from the multiple regression analysis because it is an ordinal variable while this technique is used for interval ratio variable (Healey, 2005:481).

Table 5.20: Correlations between the HDI and world system position.

N=96	1	2	3	4	5
1. Human Development Index	1.000	.920(***)	.933(***)	.950(***)	.842(***)
2. Education Index		1.000	.787(***)	.851(***)	.752(***)
3. Health Index			1.000	.852(***)	.791(***)
4. Gross Domestic Product Index				1.000	.882(***)
5. World System Position Ranking					1.000

***Correlation is significant at the 0.001 level.

Health Policy: The correlation between health care expenditure per capita and the HDI is shown in table 5.21 using both Spearman's *rho* and Kendall *tau*. Spearman's would be the most appropriate measure of this relationship, but being almost perfect creates problems that will be discussed further in the conclusion chapter. Thus, it was appropriate to use Kendall *tau*.

Table 5.21: Correlations between the HDI and the Health Index (in US$)

	1	2	3	4	5
Human Development Index	1	.913(***)	.897(***)	.930(***)	.630(***)
Heath Index (computed using life expectancy at birth)		1	.710(***)	.765(***)	.507(***)
Education Index (computed using adult literacy rate)			1	.782(***)	.492(***)
Gross Domestic Product Index (Income per Capita)				1	.725(***)
Health Expenditure per capita in US$					1

*** Correlation is significant at the 0.001 level.

Correlations: HDI and the Independent Variables in the Regression Analysis

Table 5.22 displays the correlations between the HDI and the variables included in the regression analysis. It shows that all of these variables have a significant relationship with the HDI while they all pass the multi collinearity test. That is, the

correlation between the HDI and the CPI, the democracy index, education expenditure, and the FDI remains under *r* =.8 (see Table 5.22 for the details).

Table 5.22 Correlations between the HDI and Corruption, Democracy, Education Policy, Foreign Direct Investment.

N = 96	1	2	3	4	5	6	7	8
1. Human Development Index	1	.913(***)	.897(***)	.930(***)	.710(***)	.718(***)	.359(***)	.092
2. Heath Index		1	.710(***)	.765(***)	.556(***)	.614(***)	.200	.021
3. Education Index			1	.782(***)	.566(***)	.623(***)	.419(***)	.085
4. Gross Domestic Product Index				1	.817(***)	.732(***)	.380(***)	.149
5. Corruption Perception Index					1	.632(***)	.472(***)	.231(***)
6. Polity VI Democracy Index						1	.276(***)	-.054
7. Education Expenditure as % of Gross National Income (GNI)							1	.029
8. Foreign Direct Investment as % of GDP								1

*** Correlation is significant at the 0.001 level

Multiple Regression Analysis on the Human Development Index Ranking

The original intention of this study was to use multivariate techniques to study the combined effects of all the eight independent variables on the HDI. Unfortunately, due to data availability and the nature of some of the variables, only four variables were used in the multiple regression analysis with HDI as the dependent variable as explained in the following paragraph.

First, the relationship between the HDI and the *health care policy* variable is non-linear. Therefore, it does not satisfy the criteria of the multiple regression techniques and had to be studied separately from the other variables. Data were available for 96 countries using the 2005 HDI and 1998-2003 health expenditure per capita from the World Bank

data. Second, world system position is an ordinal variable which makes it unsuitable for multiple regression techniques. Third, data were available for more countries (121) for the external debt variable (measured as a percentage of GDP). Trying to study this variable with the others would reduce the number of countries considerably below 96 being the number countries included in the multivariate analysis. Finally, for the bureaucratic efficiency index, data was available for only 64 countries, which would reduce the number of countries included in the study. Therefore, of the eight variables selected to study the predictors of the HDI ranking, only four of them enter the multiple regression analysis for various reasons already explained in the previous sections. Table 5.23 shows the results of the multiple regression analysis.

As demonstrated in Table 5.23, sixty-one percent (Adj. R Square = .610) of the variance in human development index ranking can be explained by this model. The analysis revealed that the model was statistically significant with p = .001. This model predicts the value of the HDI for the subset of 96 countries with an average difference of plus or minus .023. It also predicts the value of the HDI for Haiti within reasonable range as shown in the following equations:

Equation (1): Predicted HDI = .481 + .028*(CPI) + .022*(democracy)
+ .005*(ed policy) + .001*(FDI).

For Haiti , the model predicts:

Equation (2): HDI = .481 + .028*2 + .022*1.9 + .005*3.55 + .001*6.4 = **.597.**

This is reasonably close to the actual value of .48.

Among the four variables entered in this model, only two of them, corruption (and democracy were found to be statistically related to the HDI.

Table 5.23 Regression Analysis of the Association between the Human Development Index and Corruption, Democracy, Education Policy, and Foreign Direct Investment.

Variable	***b***	**se**	***beta***	***t***	***p***
Constant	.481	.033		14.563	.001***
Corruption	.028	.007	.392	4.067	.001***
Democracy	.022	.004	.459	5.348	.001***
Education Policy	.005	.007	.047	.638	.525
Foreign Direct Inv.	.000	.001	.025	.370	.713

R2 =.627; Adj R2 =.610; F = 38.208; p = .001

***Significant at the .001 level

Between the two variables that are statistically significant, democracy (beta = .459) was a better predictor of HDI ranking than corruption (beta = .392). Education policy and foreign direct investment are not statistically significant (p = .525 and p = .713, respectively) predictors of the human development index ranking according to this model.

Summary

This chapter provided the results of the quantitative analysis of this study which focuses on the predictors of a nation's human development index ranking. It included a brief summary of the method used to study the predictors of the human development ranking, the characteristics of the different subsets of the countries, the results of the hypothesis-testing, the inter-correlation matrices, and the multiple regression analysis. In sum, all but one of the analyses done in this chapter revealed significant associations between the

HDI and the selected variables. Such associations are studied in more depth in the following chapter which presents the qualitative results of this study on Haiti.

CHAPTER SIX

QUALITATIVE DATA ON HAITI

Introduction

This chapter contains Haiti's profile, the purpose of the qualitative data from this study, the characteristics of the sample, and data gathered from the interviews. While the questions were largely focused on a subset of the independent variables, other variables also emerged during the qualitative research process.

Haiti's Profile

Haiti is located in the Caribbean between Cuba, Jamaica, and Puerto Rico and shares the Hispaniola Island with the Dominican Republic. Taino Indians inhabited the Island until the arrival of Christopher Columbus on December 5, 1492. It did not take long for the Indians to become extinct on the Island due to diseases that the Spanish settlers brought with them and the forced labor that was imposed on the islanders. French pirates also discovered Hispaniola later in the 1500s and occupied the western third of the island while the Spanish continued to settle the eastern two-thirds. Since those early days, Hispaniola remained one island with two countries, two histories, and two cultures.

With the disappearance of the Indians, the settlers had to turn to slavery for labor to extract the wealth of the island for the benefit of their respective metropolises. To meet this need for labor, the settlers imported slaves from Africa to the island. With the development of the "Black Trade" in Hispaniola, the French-occupied portion of the Island now comprised three social classes: the French, the mulattos (born of French and

African parents), and the black slaves. This mix made for a very segregated society where French were the privileged; the mulattos were somewhat privileged compared to slaves, but were considered inferior to the French; and, of course, the slaves were properties of their masters who disposed of them as they would of animals and things. It is this segregation that would later contribute to the Haitian Revolution to lead Haiti's independence from France in 1804 (Diamond, 2005).

For the wealth it produced for the metropolises, Haiti was labeled the "Pearl of the Antilles." The French continued to exploit and enjoy that wealth without much disturbance until after the French Revolution in the late 1780s and early 1790s. Well aware of the French Revolution, all the three classes that made up the population of the western third of the Hispaniola each started a social movement to improve the group's social position. The white French, the rulers of Haiti, wanted to gain their autonomy from France so that they would have complete control over the resources of the country; the mulattos wanted to have equal rights with the white French; and the slaves, of course, wanted freedom and to eventually become the equal of the other classes of the Haitian society. In their fight for a higher position in the social hierarchy, the slaves were the only ones ever to be successful when they would protest or fight. The mulattos finally decided to ally themselves with the slaves to get rid of the whites but with the hope of becoming the master of the slaves once the whites were gone (Diamond, 2005).

The Haitian revolution started in 1791 and led to the independence of the country in 1804. The mulattos were indeed successful in getting the French out by allying themselves with the slaves. They thought that they would replace the old masters and

reinstitute slavery or at least rule over the black population. Unfortunately, such thinking was wrong and has been identified as one of the underlying causes of the current socioeconomic conditions of Haiti. In other words, an overwhelming percentage of the wealth of Haiti today is in the hands of the minority of mulattoes who claim the rights of inheritance from their French fathers. This mulatto class also thinks they should be the ruling class to the exclusion of the slave descendents. The instability of the country over the last two hundred years is directly related to this struggle between these competing groups.

Today, Haiti has a population of over eight million. Haiti has been classified as a low development country since the beginning of the use of the HDI as a measure of development. Such ranking has never changed although the HDI score of the country has slightly changed from .450 in 1995 to .475 in 2003. The country has maintained below average scores for all the variables included in the study. Table 6.1 shows Haiti's position compared to the rest of the countries included in the study.

Table 6.1: Comparison between Haiti and Other Countries Included in this Study.

Variable	N	Mean Score	Haiti's Score
HDI	N=121 N=96 N=64	.647 .749 .7832	**.48**
Education	N=96	4.2805	**3.55**
Health Care Spending per Capita	N=96	$611.71	**$30.67**
Democracy	N=96	5.6458	**2.0**
Corruption	N=96	4.3854	**1.90**
Institution	N=64	6.74	**2.0**
FDI	N=96	25.44	**6.4**
State Strength (External debt as % of GDP 1993-2003)	N=121	76.5	**32.88**
World System Position	N=96	1.8229	**1**

Purpose of this analysis

The qualitative component of this study uses information from key informant interviews to provide illustrations of local, Haitian interpretations of the impact of selected independent variables included in quantitative part of the study. Other factors mentioned by the interviewees are also noted. The qualitative data focuses on the perception by the interviewees of Haiti's current level of human development, what they see as the factors slowing the improvement of the level of development, and what they see as possibilities for improvement. The qualitative findings are summarized using selection of segments of narratives as a way of providing some local context from Haiti on the importance the predictors of discussed in the quantitative data chapter. These

interviews also shed light on the factors that should be prioritized in any efforts to improve the socioeconomic development of the country.

Characteristics of the sample

The qualitative component of this study focused on Haiti. Ten key informant interviews were conducted using the interview guide in Appendix B. The interviewees include Haitian development experts, politicians, social scientists, administrators, NGO executives, university professors, and citizens with diverse backgrounds from different regions of the country. Ten respondents were interviewed. Interviewees were selected based on their expertise and their involvement in the development of the country.

Table 6.2: Sample Interviewed by Categories

Category	Number
Social Scientists/University Professors	3
NGO Executive	3
Government Officials	2
Educators	2
Total	10

Method of Analysis

The data collected was recorded, transcribed, and summarized according to the pattern of the answers to the questions using narrative text as suggested by Huberman and Miles (2002) and Berg (2004). The collected data was analyzed for the themes that emerge from the interviewees' perception of the factors affecting the level of human development in Haiti. This was done by identifying common themes from responses to

the questions (see interview guide in Appendix B) that were asked and by categorizing them according to their importance (repeated mentions or significance attributed to themes by respondents).

Topics/Variables Covered in the Interviews

The questions used in the key informant interviews were designed to generate additional feedback related to some of the hypotheses tested in the quantitative portion of this study. These interviews were meant to gain some insight into the perception of the respondents on the relationship between the current socioeconomic development level in Haiti and other factors.

No questions were specifically designed to gather information on variables such as state strength, democracy, and world system position ranking. These variables were excluded primarily to shorten the time that the interview would take. Most subjects of the targeted sample were expected to be people with busy schedules, who would probably not be able to give any more than one hour of their time.

Therefore, the questions were designed around four variables such as education, corruption, institutions, and foreign direct investments for which hypotheses H_1, H_4, H_5, and H_8 were tested in the quantitative part of this study. These variables were considered most relevant in terms of the general background of the interviewees. Health care policy came under the question related to institutions while other variables such as democracy and state strength were brought into the discussion by the interviewees. So, only world system position was completely left out of the interviews.

The interview guide included some general questions designed to elicit from the respondents other variables, not considered in the quantitative part of the study, but considered as critical by the respondents to the socioeconomic development of Haiti. Their responses are presented in text boxes.

The findings of the qualitative analysis are used to provide illustrations of how the independent variables, such as health care, were manifested in Haiti.

Findings

The following section contains the findings from the key informant interviews conducted in Haiti. The variables included education, corruption, institution, and foreign direct investments in terms of their impacts on the socioeconomic development level (measured by the HDI) of Haiti.

The interviews started by asking the interviewees the following questions:

- "How would you describe Haiti's current socioeconomic situation?
- Poverty level?
- Cost of living?
- Unemployment level?
- Access to services such as: health care, education, judicial/legal services?
- Bad?
- Getting worse?
- Improving?

They were also asked:

- What do you see as being the major obstacles to the sustainable (durable/long term) socioeconomic development of Haiti?
- Which one would you say is the most crucial? Why?

The answers to the first question were dominated by the themes presented in Table 6.3. That is, all of the respondents indicated that Haiti has been plagued with a lack of a sense of belonging together; people living in deteriorating conditions; the extreme poverty level; and high level of social inequality. Table 6.3 contains some quotes from the respondents' answers. It is worth quoting a powerful statement from one respondent who said that the Haitian "people are living in extreme poverty while they are working hard" every day.

Table 6.3: General Perception of Socioeconomic Conditions

Theme	**Direct Quotes**
• lack of sense of belonging together; • social inequality; • deteriorating conditions; • extreme poverty level.	• "No unity", • "socioeconomic conditions of the poor are deteriorating", • "people are living in extreme poverty while they are working hard"

The answers to the second question were dominated by these themes: corruption, weak government, lack of long term vision, irresponsible government, lack of development policy, political instability, unemployment, and social breakdown where the rich care only about themselves for the most part and are not too concerned about creating opportunities for the poor (See Table 6.4).

Table 6.4: General Perception of Obstacles to Socio Economic Development

Themes	Direct Quotes
• the government and the elite of the country are not fulfilling their role in developing a development policy for the country lack of sense of belonging or duty toward the country; • internal social class problems lead to Haiti's current socioeconomic problems;	• "Too many NGOs are pretending to be serving the population leading the government to neglect some of its responsibilities" • "The rich must feel compelled to invest in the well-being of the population in order for Haiti to improve socioeconomically" AND "there is a social break-down where the small minority that controls more than 90 percent of the wealth of the country does perceive the well-being of the country as their well-being"

Education. The questions that were put to the interviewees were:

- What role would you attribute to education with regard to the sustainable socioeconomic development of Haiti?
- How do you explain that?
- What do you see being done to improve the situation?
- The resources devoted to education?
- Universal access to education?
- Early childhood education?
- The overall quality of education?
- Training and compensation of teachers?

The dominant theme that derived from the answers provided by all the respondents was that inadequate access to and inappropriate quality of education in Haiti is very much responsible for the human development level of the country. All the respondents pointed out that education is not available to everyone simply because not enough resources are devoted to education. They also indicated that not everyone among those who can go to school has access to the same quality of education. Some respondents also pointed to the fact that a large percentage of those who have started school in some precarious conditions are not able to finish even primary education. Thus, less than twenty-five percent of them successfully complete secondary education. The interviewees also indicated that the content of the education being delivered in the school system is not practical enough. In general, the curriculum in Haiti does not take the needs of the country into consideration. The respondents also pointed out that the curriculum does not include any civic education or "citizenship building" program where the students would grow up with a sense of duty toward the country.

Some respondents put great emphasis on early childhood education and they argued that, at the grade school level, education should be based on a strong partnership/between parents and teachers. They further argued that good quality early education leads to better personal development and a better foundation and opportunity for higher education. Those same respondents also argued that poor childhood development results in low quality of human resources which is an important factor in socioeconomic development. Table 6.5 contains some of the direct quotes from the responses of the interviewees.

The responses of the interviewees illustrate how in Haiti how the HDI related to education and education policy. These responses suggest causal mechanisms linking education policy and the HDI of Haiti, specifically, a curriculum which neglects citizenship education, poor quality of education creating a poor quality workforce, lack of uniformity in delivery of basic education, limited access to education, and poor quality teachers.

Table 6.5: Education

Theme	**Direct Quotes**
Theme: Inadequate access to education and the poor quality of education for the majority of the population contributes significantly to low level of human and socioeconomic development in Haiti	Sample Answers: • "Education is the starting point for development" • "Inadequate resources are devoted to development." • "Poor quality of education leads to low quality of workers and shortage of skilled labor" • "The educational system does not teach citizenship building." • "Eighty percent of school establishments delivering basic education are private." • "There no uniform policy regarding the delivery of basic education. School owners run them just like any other private business." • "High inequality in access to education" "Too many untrained teachers are teaching"

Corruption. To understand the impact of corruption on socioeconomic development of Haiti, the interviewees were asked:

- To what extent would you say that corruption is an obstacle to the socioeconomic development of Haiti? Please explain.
- Probe questions included: Bribery?

- Misuse of public resources?
- Deviation of public funds?
- Are recruitments based on friendship or family ties vs. credentials?

Respondents referred to the impact of corruption on the current socioeconomic development of Haiti before being asked. The dominant theme was that the pervasiveness of corruption in Haiti contributes significantly to its current socioeconomic situation (Table 6.6). All of the respondents agree that bribery is the primary incentive needed to get anything done in the government system. Most of the respondents pointed out that corruption is one of the major factors impeding the ability of the government to fulfill its responsibilities toward the population. Some respondents argued that the corruption level in Haiti has transformed institutions that should be facilitators into constraints in accessing public services. Respondents pointed to situations where the rich often bribe elected officials and high ranking government officials with huge amounts of money so that they are exempt from certain laws.

Respondents believed that corruption influences the thinking of all categories of the population so much that stealing from the government or a non profit organization is not considered stealing. In reality, the diversion of those resources prevents the government system from fulfilling its responsibilities toward the population. Recruitment based on partisanship instead of credentials leads to inefficiency of the different institutions, both private and public. By not having the competent personnel in certain positions, the system fails to perform well. The respondents argue that such level of corruption destroys the confidence of the general population in the government. The

responses of the interviewees illustrate the type of possible connections between the HDI and the perception corruption index in the case of Haiti.

Table 6.6: Corruption

Theme	Direct Quotes
Theme: The pervasiveness of corruption in Haiti contributes significantly to its current socioeconomic situation	• "Corruption has become a mentality." • "Bribery has become the best alternative to getting anything done." • "Absence of anti-corruption laws leads to a failed system incapable to meet the needs of the people." • "Stealing the government or NGOs is not seen as stealing." • Public institutions have become constraints instead of facilitator." • "Corruption kills confidence in the government".

Institutions. To understand the impact of institutions on socioeconomic development from the perspectives of the interviewees, they were asked:

- "What role would you attribute to institutions (legal, financial, and health) in the sustainable socioeconomic development of Haiti? Please explain your answer.
- How would you say that the legal system affect the current situation of the country?
- The financial system?
- Does everyone have access to financial services such as savings, loans, etc?
- How would you say that this access (or lack of access) affects the country's current situation?
- Would you relate access to health services to the current situation of Haiti?"

The answers to these questions were dominated by the following themes: inadequate and poor quality of institutions; limited access to existing institutions; and inequity in accessing the services provided by the institutions. Some respondents argue that Haiti may never improve unless it puts in place appropriate institutions that meet the needs of the people as indicated in Table 6.7. Specifically, the respondents pointed to the current judicial and financial institutions as constituting major obstacles to the sustainable socioeconomic development of Haiti.

All the respondents indicated that the weaknesses of the judicial system of Haiti lead to a lack of trust in investment in the economy. This lack of trust is manifested by both national and foreign investors. It acts as a major obstacle to economic development activities that would enhance national manufacturing, create jobs, and enable Haiti to compete in the global market. According to the respondents, the protection of property rights and enforcement of transaction contracts remains a serious concern in Haiti. The judicial system is not fair to everyone in enforcing those rights. In other words, those with the money can buy the court's favor.

Most of the respondents also pointed out that the access of poor people to financial institutions is very limited. They indicated that "access to capital is mostly limited to those who are already rich." Funding for small enterprise development is very scarce. Respondents also argued that most of the population has no access to capital for equity building such as purchasing a house which would make the owner eligible to obtain credit from the financial institutions by using the equity as collateral. Therefore, one has to save in order to build some equity. Since home owners build as they save, a

house project may be ten years in process and not be completed, meaning that the investment in the house remains unproductive for those ten years. According to the respondents, this limited or no access to capital has two immediate negative effects on the socioeconomic development of the owner: while the owner has put all of his or her savings in a house the comfort of which he cannot enjoy yet, he or she is also likely to become poorer as his or her savings have become unproductive by being tied up in the house project.

Respondents also pointed out that the incapacity of state institutions, such as the fiscal revenue collection system, to fulfill their responsibilities or to apply rigorous accountability standards has also contributed to the socioeconomic situation in which Haiti finds itself today. That is, fiscal revenue collection has been performing well below its efficiency level mainly because of corruption or inadequate collection mechanisms. In such a situation, the state is faced with a shortage of resources to meet the needs of the people, in terms of access to education, adequate health care, adequate security systems, roads infrastructure, and other needs. The responses of the interviewees relate to the independent variable on institutional quality or bureaucratic efficiency.

Table 6.7: Institutions

Theme	**Direct Quotes**
• Inadequate and poor quality of institutions. • Limited access to existing institutions. • Inequity in accessing the services provided by the institutions.	• "Little access to financial/credit services." • "Justice is sold for money." • "no law enforcing institutional" principles; • "The institutions need to be thought over." • Weak state = weak institutions → low development.

External Factors and Foreign Direct Investments

In relation to foreign direct investment, respondents were asked:

- What role would you attribute to variables such as foreign investment, foreign aid, and international relations in the sustainable socioeconomic development of this country?
- How would you say that these factors help or do not help?
- Foreign investments?
- Foreign aid?
- International relations?
- How would it help or not help Haiti if the country could attract more foreign investment?
- Would you say that Haiti depends too much on foreign aid?
- Why would you say that?
- What do you see as possibility to reduce such dependence?

These questions were preceded by asking the respondents:

- What external forces do you see affecting the sustainable socioeconomic development of Haiti positively or negatively? Please explain. (See Appendix B).

The answers to the latter questions are summarized in Table 6.8. They are dominated by the themes: Haiti has more enemies than friends in the international arena; foreign religious groups encouraging dependency through charity work; international institutions such as IMF, and World Bank; American imperialism; and international advantages offered to local elite.

Respondents referred to the way that Haiti took its independence from the French at the time it did. For the respondents, “Haiti’s independence in 1804 was a threat to the United States and other metropolises.” Another argued that, “France would always want to see Haiti in chaos so that the other French territories in the region may be discouraged to seek autonomy from France.”

Another person felt that, “Many religious groups take pleasure in doing charity works instead of development at times other than crises and emergencies.” Others said that, “Many foreign debts to Haiti are not invested in projects such as road building, electricity production, educational programs, research centers, and institutes that would promote development;” or that the IMF and World Bank, one size-fit-all policy, all represent major obstacles to socioeconomic development.”

In a general sense, most of the respondents argue that the effects of external forces result from a lack of cohesion between elite and the rest of the population in Haiti. This argument reinforces the concepts of the mode of production approach to socioeconomic development by Chinchilla and Dietz (1981) and Petras (1981). According to these development theorists, the effects of external forces are mediated through the strength of the internal structure and the cohesion of the social formation of a nation state. Haiti is a weak state and thus more influenced by external forces.

Table 6.8: External Factors

Themes	Direct Quotes
• Haiti's early independence has earned it more foes than friends. • Foreign religious group encouraging dependency through charity work. • International institution such as IMF, World Bank, American Imperialism. • International advantages offered to local elite.	• "Haiti's independence in 1804 has been a threat to the United States and other metropolises." • "France would always want to see Haiti in chaos so that the other French colonies in the region may be discouraged to seek autonomy from France." • Many religious groups take pleasure in doing charity works instead of development at times other than crises and emergencies." • "Many foreign debts to Haiti are not invested in projects such as road building, electricity production, educational programs, research centers, and institutes that would promote development." • "One size-fit-all policy of the IMF and World Bank,, all represent major obstacles to socio economic development."

Regarding the relationship between FDI and Haiti's level of socioeconomic development, most of the respondents indicated that the effects of foreign direct investment depend on the internal structure of the country. The dominant theme that derived from all the responses is that "Haiti has not been able to attract and use foreign direct investment to its advantage because of its fragmented and weak internal structure and shortage of skilled workers" (Table 6.9). Some of the respondents pointed out that, in the case of Haiti, foreign direct investment could significantly impact the socioeconomic development of the country by creating jobs, bringing in knowledge and new technologies.

All these technologies and knowledge would need to be adapted to the needs of the country in order to help Haiti compete in the global market. Respondents indicated that the impact of such external resources would depend on the development plan that the

government and the elite of the country have developed. Unfortunately, Haiti has not been able to attract enough foreign direct investments due to political instability and shortage of skilled workers. Some respondents further indicated that the Haitian elite are more likely to associate themselves with foreign investors so as to use foreign investment to their own advantage instead of promoting the well-being of the local population.

One respondent identified three major conditions that must be met in order for Haiti to benefit from foreign direct investments: 1) “There must be a secure environment in the largest sense of the term where investors will feel safe to invest”; 2) “The government must have an investment policy where investment projects and the needs of the country meet. It cannot be just money-making interests driving investment projects”; and 3) “There needs to be a qualified labor.”

Some respondents perceive of foreign aid as a limiting factor to socioeconomic development for many reasons. First, foreign aid does not always get to those who need it the most. In this sense, it provides a crutch for leaders, who, without good intention, end up robbing their own people. Second, because the needs of those leaders are met through access to foreign aid money, they feel no need to develop infrastructure that will help everyone.

What all respondents agree is that the impact of foreign funding can be positive or negative. It all depends on the internal structure and the sense of community that exists among leaders and citizens. Table 6.8 contains more of the direct quotes from the respondents.

These results of the qualitative analysis suggest that the impacts of foreign direct investments do not stand alone.

Table 6.9: Foreign Investments and Foreign Aid

Theme	Direct Quotes
Haiti has not been able to attract and use foreign direct investment to its advantage because of its fragmented and weak internal structure and inadequacy of skilled workers.	• "Foreign direct investment could create job in Haiti and facilitate its participation in the global market." • "Brain drainage and political instability do not attract foreign investors into Haiti." • "There needs to be a vision and model of development before FDI can produce sustainable results." • Three major conditions that must be met : 1) "There must be a secure environment in the largest sense of the term where investor will feel safe to invest." 2) "The government must have an investment policy where investment projects and the need of the needs of the country meet. It cannot be just money making interest driving investment projects." 3) "There needs to be a qualified labor."

Other Factors

To close the interviews, the interviewees were asked two sets of questions. The first set was:

- What role do you see the government, the private sector, and every citizen playing in fostering the socioeconomic development of Haiti?
- How could each sector contribute to this process effectively?

The dominant themes derived from the answers to these questions were that of a national alliance or social contract among all sectors (public, private, NGO, individual

citizens, civil society, and so on) in the country in order to develop a long-term development plan for Haiti. Specifically, some respondents indicated that the "leaders must work together and dream big in terms of what they want Haiti to become." Other respondents state that "the state should provide the leadership and the vision for the country," "the government should play its role of defining and applying policy related to different aspects of the people's life," and "the civil society plays the watch dog role of keeping the state checked and balanced." Most respondents assign a significant role to citizens in keeping the institutions healthy by keeping the family healthy. More than one respondent specified that "family is the place where morality should be taught" and that this teaching must "be done early enough before the brain is polluted."

Table 6.10: Roles of the Different Sectors

Theme	**Direct Quotes**
Alliance/social contract among the sectors to build a solid foundation for the country; create a responsible elite.	• "There must be a social contract among all sectors: public, private, NGOs, citizens, etc to build up Haiti." • "Leaders must work together and dream big in terms of what they want Haiti to become." • "The state should provide the leadership and the vision for the country." • "The government should play its role of defining and applying policy related to different aspects of the people's life while the civil society plays the watch dog role of keeping the state checked and balanced." • "Family is the place where morality should be taught and that this teaching must be done early enough before the brain is polluted."

The last questions put to the respondents were:

- “What do you see as the most critical thing or things to do to facilitate the socioeconomic development of this country? Please explain.
- What area or areas that you think should be prioritized? Education? Health? The economy? Why?

The answers to these questions were dominated by the following themes: universal education and employment; prioritization and universal access to good quality education based on the country’s needs; national alliance around a well-designed and integrated long-term development plan; and education beyond reading and writing.

Specifically, respondents indicated that universal education is necessary to produce enough skilled workers, and to teach morality and civic education. They also indicated that only employment, whether self-employment or a job from someone else, can increase the purchasing power of the population. The respondents further advanced the idea that when people are working, they can save and invest in other projects, build houses, and go to better hospitals when they are sick. Those respondents argued that work is freedom. Table 6.11 contains more of the themes and the quotes from the respondents’ answers.

Table 6.11 Others

Theme	Direct Quotes
• Prioritization and universal access to good quality education based on the country's needs. • Employment for the mass of the population. • A national alliance around a well designed and integrated long term development plan. • Education beyond reading and writing.	• "Develop a modern vision that will lead to development infrastructure such as sanitation, production, environment, good institutions, rigorous law enforcement system, and so on." • "Haiti will not change without a mentality change which should be done through civic education in the school and the media." • "Anarchy must be banned and rural exodus stopped." • "Haiti's situation can be corrected. What is needed is a national consensus around a national vision agreed upon by the government, private sector, civil society, and every citizen. There must be a solemn vow/engagement to follow this vision regardless of who is in power. All actors must be in agreement around this vision that must be spread over a 15 to 25 years development plan that all must follow. Modification may be made only to enhance the vision and plan but not to deviate from it. Such vision and plan must remain sacred."

The emphasis on the importance of employment by the respondents reinforces the findings from the quantitative analysis. When studying the association between the independent variables and the components of the HDI (the health index, education index, and GDP index), the correlation with the GDP index, which is based on income per capita, is strongest for most of the variables.

Two respondents pointed out that there is a language problem that must be resolved in other for Haiti to improve its socioeconomic conditions. One respondent indicated that schools should teach exclusively in Creole, the language that is spoken at home by every Haitian family. The reason for this suggestion is that when the school subjects are taught in a language that is not spoken at home, the students struggle to

master the subjects. Another respondent interpreted the language problem in a different way. A large percentage of the private enterprises in this country will not hire an employee unless that person can speak perfect French which is not the mother tongue in Haiti. This discrimination serves as a screening tool for upward social mobility. These two respondents indicated that this is a severe social problem that must be overcome in order for the situation of the people of this country to change. Otherwise, the small rich minority will always remain in control of the wealth of the country.

Summary

While the number of key informant interviews is small, the information gathered was most enriching to this study. Ten interviews were conducted with personalities of various backgrounds and expertise in the Haitian society. The data collected were used to illustrate details about variables examined in the hypotheses of the quantitative analysis. The limitation of this qualitative analysis is that there were only ten interviews conducted. Still, the qualitative study was not intended to provide a large number of interviews but rather to develop more in-depth understanding of the interactions between the HDI and the selected independent variables.

CHAPTER SEVEN

SUMMARY AND CONCLUSION

Introduction

The main purpose of this study was to better understand the social and economic factors that affect or impede the socioeconomic development levels in Third World countries. In order to fulfill that purpose, a theoretical framework was developed borrowing ideas from many development theorists. Secondary data was gathered and analyzed and eight hypotheses were tested and analyzed in the quantitative portion of the study. The qualitative portion included key informant interviews was conducted in Haiti in Fall 2006. This chapter contains a brief review of the research question, a summary of the test of hypotheses and their implications, the theoretical significance of the findings of the study, the practical significance, the limitations of the study, and suggestions for further research.

Research Question

This study strived to answer the following research question: Which social and economic factors alone or in combination seem to most strongly affect human development (as measured by the Human Development Index-HDI) in various countries? In doing so, we tried to better understand the social and economic predictors of the human development index ranking and the implications of those predictors for Haiti. The HDI was treated as the dependent variable. Eight independent variables, namely,

education policy, health care policy, democracy, institution, corruption, state strength, foreign direct investments, and world system position, were analyzed for their association with the HDI. The next two sections contain summaries of the quantitative and the qualitative findings of the study as well as their implications in case of Haiti.

Summary of Test of Hypotheses

Eight hypotheses were tested. The null hypotheses were the hypotheses of no association between the HDI and the variable under consideration. Only one of those null hypotheses was accepted because the relationship was insignificant. All but two of the hypotheses showed relationships which were significant and strong. The other two were significant and showed a moderately strong relationship.

Table 7.1 Summary of Tests of Hypotheses

Hyp.	Association Between the:	H0: Rejected or Accepted	Significance & Strength
1	HDI and Public Spending on Education	Rejected	**Sig. &Moderate**
2	HDI and Public Spending on Health Care	Rejected	**Sig. & Strong**
3	HDI and Democracy Index	Rejected	**Sig. & Strong**
4	HDI and Corruption Perception Index	Rejected	**Sig. & Strong**
5	HDI and Bureaucratic Efficiency	Rejected	**Sig. & Strong**
6	HDI and State Strength	Rejected	**Sig. & Moderate**
7	HDI and World System Position	Rejected	**Sig. & Strong**
8	HDI and Foreign Direct Investment	Not rejected	**Insignificant**

Summary of Qualitative Findings

The qualitative component of this study was designed around only some of the variables included in the quantitative component. The interview questions were directly

related to education policy, health care policy, institution, corruption, and foreign aid and foreign direct investments. All the answers of the respondents indicate strong association between these variables and the current level of development in Haiti. Overall, the respondents tended to put more emphasis on the relationship between such variables as education, institutional quality, and corruption. Some respondents identified the requirement to speak French as an obstacle to certain social upward mobility. Others also identified lack of a sense of belonging, lack of social cohesion, and lack of national unity as factors impeding the human development level in Haiti.

Theoretical Significance

This study contributed significantly to the theoretical explanation of human development. The United Nations Development Program developed the HDI in the 1990s. The HDI was developed to include the social dimension into development and to consider human as both the means and the end of development. No previous studies have combined the set of variables here to assess the predictors of the HDI. This study is original in being the first to study the association between the HDI and the variables being considered here.

The findings of this study support the theoretical explanations presented in the theoretical framework in Chapter Three. Except for foreign direct investment, there exist significantly moderate to strong associations between the HDI and the independent variables. The Pearson's Product Moment Correlation was r =.359 for education; r =.630 for health care policy; r =.718 for democracy; r =.710 for the corruption perception

index; *r* =.642 for the bureaucratic efficiency index; *r* =-.411 for state strength; *rho*=.842 for world system position; and *r* =.092 for capital penetration.

The significantly strong and moderate relationships between the HDI and the independent variables shed light on the answers to the research question. These correlations are a clear indication that all of these variables play some role in determining the position of countries in the human development index.

Predictors of the Human Development Index Ranking

This study aimed at identifying the predictors of the HDI and implications for Haiti. The results of the multiple regression analysis shows that, of the four variables that fit the model, only two of them, corruption and democracy, can be considered predictors of the human development index ranking. It is understandable that foreign direct investment may not be a good predictor. It was rather surprising to find out that education is not a good predictor. It is difficult to say which of the other variables which were not included in the multiple regression model would be good predictors of human development index ranking. Of the four variables that enter the model, the predictors are the ones that are significantly and strongly associated with the HDI, namely, corruption (*r* =.710) and democracy (*r* =.718) versus foreign direct investment (*r* =.092) and education (*r* =.359). So, it can also be assumed that the other variables might be good predictors of the human development index ranking since they all have significant and strong (*r* >.5) relationships with the HDI except for the bureaucratic efficiency index).

Therefore, except for foreign direct investments, this study suggests that all the variables that were studied are potential predictors of the HDI ranking.

The qualitative component of this study was intended to accomplish two things: to better understand the predictors of the Human Development Index ranking and to also identify other factors perceived as affecting the socioeconomic development particularly in the case of Haiti. In deed, the findings of the qualitative component provide a deeper understanding on how some of the variables such as institutions, the level of corruption, and education, included in this study, operate as preconditions to the level of human development in the Haitian context. While interviewees found the other variables as important, they were very specific in pointing out that the socioeconomic situation of Haiti will not improve unless access to quality education is guaranteed to all, that the country has institutions which will fulfill the population's need for business and enterprise development, and that the level of corruption is reduced. The emphasis that the respondents put on education in their responses matched with the quantitative analysis which suggests a significant but moderate association between HDI and education.

In terms of other variables that respondents identified as obstacles to socioeconomic development in Haiti were: having to speak French to access certain socioeconomic resources, lack of unity, and lack of sense of belonging together. Respondents do see these problems as major obstacles to overcome in order to build a Haitian nation that is yet to be born --- according to some of them.

Practical Significance

The overall goal of this study was to understand more about the social, economic and other factors that affect the human development level of various countries, but particularly Third World nations. Both the quantitative and the qualitative findings show that the human development level of a country is not the product of chance.

First of all, the findings show that there is more than one factor that fosters the human development level of any society. Secondly, it is obvious from the results of this study that the countries with the highest human development level are the ones with strengths in the variables included in this study.

One of the practical implications of this study is that a society must consider both internal and external factors in addressing its development issues. This implication is based on the knowledge of the high correlations that were found between corruption and the HDI, institutions and the HDI, democracy and the HDI, and world system position and the HDI. Therefore, the Third World countries must consider these variables if they really want to transform their socioeconomic conditions. For example, in the case of Haiti, from the answers provided by the interviewees, it is obvious that the socioeconomic conditions of Haiti will not improve unless some major reforms take place in the way that the institutions operate.

Limitations of the Study

This study is subject to several limitations. First of all, the study had to depend on secondary data for the quantitative analysis. There were no "consistent" data sets allowing the study of all the variables over the same number of years. For this reason, several subsets had to be used. For example, only four of eight variables could be studied using the multiple regression analysis. That made it impossible to really study the combined effects of all the variables simultaneously. For the institutions variable, data were available only for 64 countries. This made it almost impossible to really measure the effects of institutions on the HDI. Nonetheless, the author was very careful in making sure that the sets used in the study come from reliable sources. Still, the investigator had no control over the collection methods of the secondary data sets.

Secondly, although the interviews were very enriching in understanding the effects of the independent variables on the HDI, the number of key informant interviews conducted in Haiti was very few. The target group was appropriate for this type of study, but 10 interviews for a population of 8.2 million is very small. A larger number of interviewees would probably show more variations in the answers that were given.

Finally, the findings of the qualitative study would be more reliable if comparisons were made with other countries in similar situations. A comparative analysis of the qualitative component of the study would help better understand the effects of the independent variables on the HDI.

Suggestions for Further Research

This study has begun to scratch the surface in identifying the predictors of the Human Development Index ranking. Identifying the predictors is one thing. Acting upon those predictors so that the low development countries may move up on the index is another thing. For this reason, more qualitative empirical research is necessary in this area in two ways. First, researchers need to be encouraged to study individual countries in their own specificities. Second, there is also a need for comparative studies of countries at the same level of human development and of countries at different levels of human development. It is important to note that the aim of comparative studies cannot be only to make generalizations. It is also meant to improve understanding of the unique circumstances influencing the level of human development.

Summary

This study started with a primary goal of understanding the predictors of the human development index ranking and their implications for Haiti. Only two predictors, democracy and corruption, were confirmed to be significantly related to the HDI in the multiple regression analysis while four others are inferred based on their similarities to the ones that were confirmed.

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APPENDIX A

Theoretical Matrix: Independent Variables affecting Sustainable Socio-Economic Development (measured by the Human Development Index (HDI) = income per capita, adult literacy rate, and life expectancy at birth). Data: 2005

Theory/Theorists	Variables	Data/Measures	Sub-indices	Source and Year
Stages of Development (Rostow); Wealth of Nations (Smith	Education Policy	Expenditures on education as a percentage total GDP	None	UNDP (2005) Table 20 Data: 15-year average:1990-2005
Stages of Development (Rostow)	Health Care Policy	Per capita expenditure on health care	none	UNDP (2005) Table 20 Data: 15-year average:1990-2005
Putnam (Making Democracy Work)	Democracy	a) Polity IV Democracy Index. Scale 0 (low) to 10 (high)	institutions and procedures through which citizens can express effective preferences about alternative policies and leaders; institutionalized constraints on the exercise of power by the executive; and civil liberties to all citizens in their daily lives and acts of political participation	University of Maryland and George Mason University (2005) Data: 20 most recent years of democracy
Theory of Morality (Dukheim)	Corruption (morality)	Corruption Perceptions Index (CPI) Scale of 0 (low) to 10 (high)	Index constructed with data from multiple sources using a wide range of measures.	Transparency International and University of Passau, Germany, Internet Center for Corruption Research (2005) Data: 11-year average:1995-2005
Stages of Development (Rostow); Wealth of Nations (Smith)	Institutional Quality	Bureaucratic Efficiency Index (BE) Scale 1 (low) to 10 (high)	Judiciary System, Red Tape, and Corruption	Mauro, 1995:687 Data: 1980-1983
Dependency and World System Theories (Wallerstein, Frank, Kerbo)	State Strength	Government Revenues as percentage of GDP	None	UNDP, 2005 Data:15-year average:1990-2005
Dependency and World System Theories (Wallerstein, Frank, Kerbo)	Capital Penetration	Net Foreign Direct Investments (FDI) stocks as percentage of GDP	None	United Nations Conference on Trade and Development (UNCTAD), 2005 Data:15-year average:1990-2004
Dependency and World System Theories (Wallerstein, Frank, Kerbo)	World System Position	Core (3), Semi-Periphery (2), and Periphery (1)	None	Babones, 2005 (This classification is based on data collected over a 28-year-period: 1975-2002.

APPENDIX B

Key Informants/Expert Interview Question Guide

Sector Code: _____
Position: _____
Date and time:_____
Location: _____

Introduction: ( )

1. How would you describe Haiti's current socio-economic problems?
   Poverty level? Cost of living? Unemployment level?
   Access to services such as: health care, education, judicial/legal services?
   Bad? Getting worse? Improving?

2. What do you see as being the major obstacles to the sustainable (durable/long term) socio-economic development of Haiti? Which one would you say is the most crucial? Why?

3. What role would you attribute to education with regard to the sustainable socio-economic development of Haiti? How do you explain that? What do you see being done to improve the situation? The resources devoted to education? Universal access to education? Early childhood education? The overall quality of education? Training and compensation of teachers?

4. What role would you attribute to institutions (Legal, financial, and health) in the sustainable socio-economic development of Haiti? Please explain your answer. How would you say that the legal system affect the current situation of the country? The financial System? Does everyone have access to financial services such as savings, loans, etc. How would you say that affect the country's current situation?
   Would you relate access to health services to the current situation of Haiti?

5. To what extent would you say that corruption is an obstacle to the socio-economic development of Haiti? Please explain. Bribery? Misuse of public resources? Deviation of public funds? Recruitment based on friendship or family ties vs. credentials?
6. What external forces do you see affecting the sustainable socio-economic development of Haiti positively or negatively? Please explain.

7. What role would you attribute to variables such as foreign investment, foreign aid, and international relations in the sustainable socio-economic development of this country?
   How would you say that these factors help or do not help?

Foreign investments?
Foreign aid?
International relations?
How would it help or not help Haiti if the country could attract more foreign investment?
Would you say that Haiti depend too much on foreign aid? Why would you say that? What do you see as possibility to reduce such dependence?

8. What role do you see the government, the private sector, and every citizen playing in fostering the socio-economic development of Haiti?
How could each sector contribute to this process effectively?

9. What do you see as the most critical thing or things to do to facilitate the socio-economic development of this country? Please explain.
What area or areas that you think should be prioritized? Education? Health? The economy? Why?

Guide de Questions d'Entretien avec des Experts et Personnes Clés sur le Développement Socio-économique Durable D'Haïti

Institution, Organisation, Association ou Secteur Représente:

Date et Heure:_____
Lieu:_____
Entretien Numéro:_____

1. Comment décririez-vous les problèmes socio-économiques actuels d'Haïti?

2. Quels sont les facteurs que vous voyez comme constituant des obstacles majeurs au développement socio-économique durable de ce pays. Lesquels diriez-vous sont les plus cruciaux et pourquoi?

3. Quel rôle attribueriez-vous à l'éducation en regard du développement socio-économique durable de ce pays? Expliquez-vous s'il vous plait. Qu'est ce que vous voyez comme efforts visant l'amélioration de cette situation?

4. Quel rôle attribueriez-vous aux institutions (légales, judiciaires, financières, sanitaire, et autres) en regard du développement socio-économique de ce pays. Expliquez s'il vous plait.

5. Qu'en est-il de la corruption? Jusqu'à quel point diriez-vous qu'elle représente un obstacle majeur au développement socio-économique du pays?

6. Quelles les forces externes affectant le development socio-économique du pays positivement ou négativement? Expliquez s'il vous plait.

7. Quel rôle attribueriez-vous aux facteurs tels que les investissements étrangers, l'assistance étrangère, et les relations internationales en regard du développement socio-économique durable de ce pays?

8. D'après vous, quel devrait être le rôle du gouvernement, du secteur prive, et de chaque citoyen dans la promotion du développement socio-économique du pays?

9. Qu'est-ce que vous voyez comme l'élément ou les éléments les plus importants qu'il faut adresser en vue de faciliter le development socio-économique durable ce pays? En peu de mots.

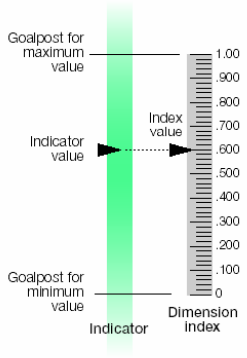
APPENDIX C
Computation Formula for the Human Development Index

The human development index (HDI)

The HDI is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development:

- A long and healthy life, as measured by life expectancy at birth.
- Knowledge, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (with one-third weight).
- A decent standard of living, as measured by GDP per capita (PPP US$).

Before the HDI itself is calculated, an index needs to be created for each of these dimensions. To calculate these dimension indices —the life expectancy, education and GDP indices—minimum and maximum values (goalposts) are chosen for each underlying indicator.



Performance in each dimension is expressed as a value between 0 and 1 by applying the following general formula:

$$\text{Dimension index} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}}$$

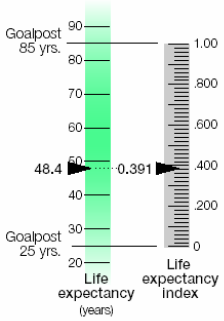
The HDI is then calculated as a simple average of the dimension indices. The box at right illustrates the calculation of the HDI for a sample country.

Goalposts for calculating the HDI

Indicator	Maximum value	Minimum value
Life expectancy at birth (years)	85	25
Adult literacy rate (%)	100	0
Combined gross enrolment ratio (%)	100	0
GDP per capita (PPP US$)	40,000	100

Calculating the HDI

This illustration of the calculation of the HDI uses data for South Africa.



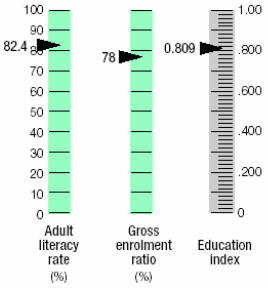
1. Calculating the life expectancy index

The life expectancy index measures the relative achievement of a country in life expectancy at birth. For South Africa, with a life expectancy of 48.4 years in 2003, the life expectancy index is 0.391.

$$\text{Life expectancy index} = \frac{48.4 - 25}{85 - 25} = \mathbf{0.391}$$

2. Calculating the education index

The education index measures a country's relative achievement in both adult literacy and combined primary, secondary and tertiary gross enrolment. First, an index for adult literacy and one for combined gross enrolment are calculated. Then these two indices are combined to create the education index, with two-thirds weight given to adult literacy and one-third weight to combined gross enrolment. For South Africa, with an adult literacy rate of 82.4% in 2003 and a combined gross enrolment ratio of 78% in the school year 2002/03, the education index is 0.809.



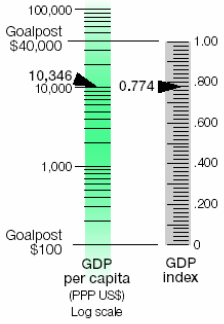
$$\text{Adult literacy index} = \frac{82.4 - 0}{100 - 0} = 0.824$$

$$\text{Gross enrolment index} = \frac{78 - 0}{100 - 0} = 0.780$$

$$\text{Education index} = 2/3\ (\text{adult literacy index}) + 1/3\ (\text{gross enrolment index})$$
$$= 2/3\ (0.824) + 1/3\ (0.780) = \mathbf{0.809}$$

3. Calculating the GDP index

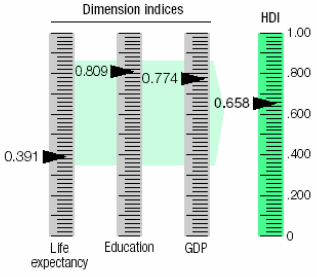
The GDP index is calculated using adjusted GDP per capita (PPP US$). In the HDI income serves as a surrogate for all the dimensions of human development not reflected in a long and healthy life and in knowledge. Income is adjusted because achieving a respectable level of human development does not require unlimited income. Accordingly, the logarithm of income is used. For South Africa, with a GDP per capita of $10,346 (PPP US$) in 2003, the GDP index is 0.774.



$$\text{GDP index} = \frac{\log(10{,}346) - \log(100)}{\log(40{,}000) - \log(100)} = \mathbf{0.774}$$

4. Calculating the HDI

Once the dimension indices have been calculated, determining the HDI is straightforward. It is a simple average of the three dimension indices.



$$\text{HDI} = 1/3\ (\text{life expectancy index}) + 1/3\ (\text{education index}) + 1/3\ (\text{GDP index})$$
$$= 1/3\ (0.391) + 1/3\ (0.809) + 1/3\ (0.774) = \mathbf{0.658}$$

APPENDIX D

Scattergram of the Individual Relationships between the HDI and Education, Democracy, Corruption, Institution, State Strength, Foreign Direct Investments, and World System Position.

Figure 5.1

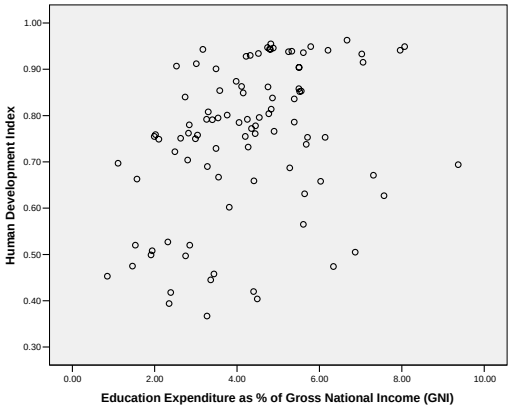


Figure 5.2

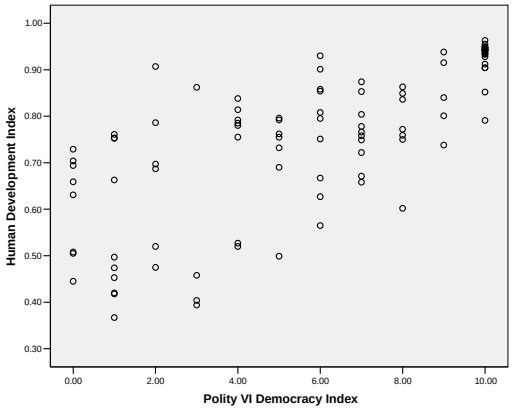


Figure 5.3

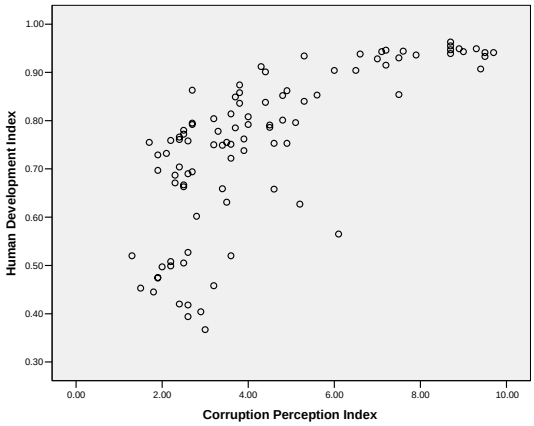
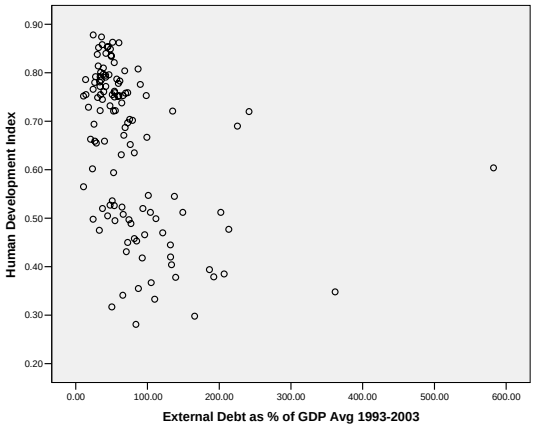


Figure 5.4



APPENDIX D (continued)

Figure 5.5

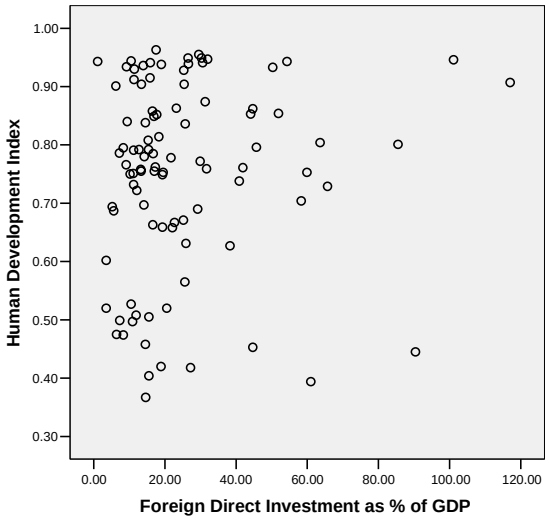


Figure 5.6

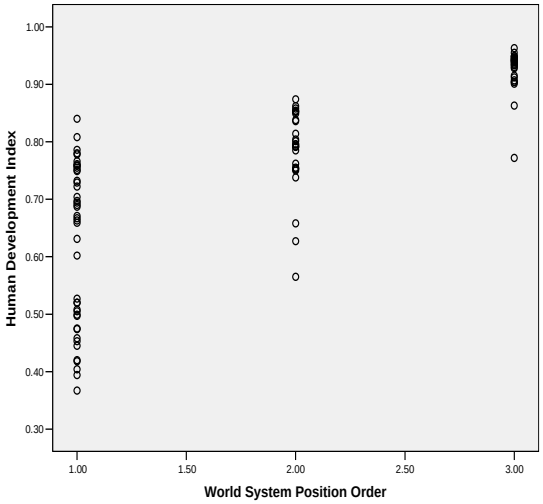
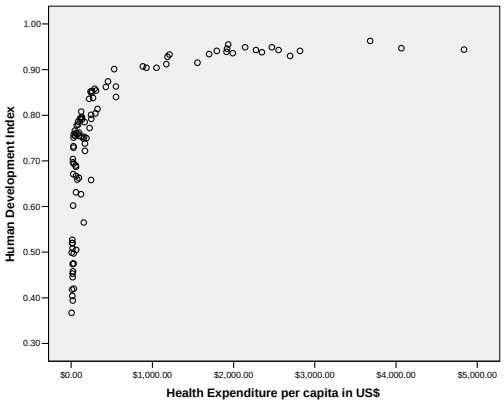
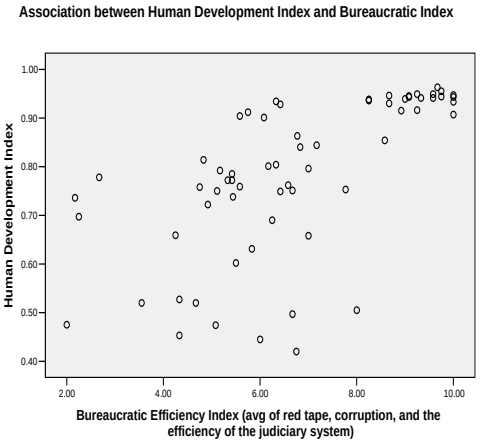


Figure 5.7





APPENDIX E:

Polity IV Democracy Index

autocracy which combined democratic forms--a mass party and nominally representative institutions--with near-absolute state control of social, economic and political life. In the middle run the new model was proven, in Europe and China, to be almost as resilient as the Western democratic forms, although less efficient for some social and economic purposes. The largely peaceful, post-1990 transformations of Soviet states to more liberal democratic forms of governance appears to authenticate the democratic, normative element in this model and its influence on the quality of authority transition.

The third general process has been the "Westernization" of state structures elsewhere in the world. The European-derived models have been widely imitated, beginning with the establishment of derivative democracies in the newly independent states of nineteenth century Latin America and concluding with the socialist autocracies of most of the post-revolutionary states of contemporary Afro-Asia.

In an attempt to facilitate empirical analysis of these and other historical trends, Polity IV includes constructed annual measures for both institutionalized democracy (DEMOC) and autocracy (AUTOC), as many polities exhibit mixed qualities of both of these distinct authority patterns. The measures are composite indices derived from the coded values of authority characteristic component variables (variables 3.1- 3.6, see below) according to the formulas, originally designed by Gurr, provided below. A third indicator, POLITY, is derived simply by subtracting the AUTOC value from the DEMOC value; this procedure provides a single regime score that ranges from +10 (full democracy) to –10 (full autocracy). During periods of central authority interruption, collapse, or transition, the DEMOC, AUTOC, and POLITY scores will be the assigned Standardized Authority Code (see Section 3, below). The fourth variable listed in this section, DURABLE, provides a running measure of the durability of the regime's authority pattern for a given year, that is, the number of years since the last substantive change in authority characteristics (defined as a 3-point change in the POLITY score).

2.1 DEMOC (all versions)
Institutionalized Democracy: Democracy is conceived as three essential, interdependent elements. One is the presence of institutions and procedures through which citizens can express effective preferences about alternative policies and leaders. Second is the existence of institutionalized constraints on the exercise of power by the executive. Third is the guarantee of civil liberties to all citizens in their daily lives and in acts of political participation. Other aspects of plural democracy, such as the rule of law, systems of checks and balances, freedom of the press, and so on are means to, or specific manifestations of, these general principles. We do not include coded data on civil liberties.

The Democracy indicator is an additive eleven-point scale (0-10). The operational indicator of democracy is derived from codings of the competitiveness of political participation (variable 2.6), the openness and competitiveness of executive recruitment (variables 2.3 and 2.2), and constraints on the chief executive (variable 2.4) using the following weights:

Authority Coding	**Scale Weight**
Competitiveness of Executive Recruitment (XRCOMP):	
(3) Election	+2
(2) Transitional	+1
Openness of Executive Recruitment (XROPEN):	
only if XRCOMP is Election (3) or Transitional (2)	
(3) Dual/election	+1
(4) Election	+1
Constraint on Chief Executive (XCONST):	
(7) Executive parity or subordination	+4
(6) Intermediate category	+3
(5) Substantial limitations	+2
(4) Intermediate category	+1
Competitiveness of Political Participation (PARCOMP):	
(5) Competitive	+3
(4) Transitional	+2
(3) Factional	+1

This "institutional democracy" indicator follows a logic similar to that underlying the Polity I analyses. There is no "necessary condition" for characterizing a political system as democratic, rather democracy is treated as a variable. For example, the scale discriminates among Western parliamentary and presidential systems based on the extent of constraints on the chief executive. Charles de Gaulle as president of the French Fifth Republic operated within slight to moderate political limitations. Thus the early years of the Fifth Republic have lower Democracy scores than the United States or the Federal Republic of Germany, where constraints on the executive approach parity. Similarly, the onset of "cohabitation" in France during the second phase of the first Mitterrand presidency is marked by a shift toward parity on the Executive Constraints scale and a concomitant increase in France's Democracy score.

If the composite indicator of institutionalized democracy is inappropriate for some conceptual purposes, it can be easily redefined either by altering the constituent categories and weights, or by specifying some minimum preconditions. **A mature and internally coherent democracy, for example, might be operationally defined as one in which (a) political participation is fully competitive, (b) executive recruitment is elective, and (c) constraints on the chief executive are substantial.**

2.2 AUTOC (all versions)
Institutionalized Autocracy: "Authoritarian regime" in Western political discourse is a pejorative term for some very diverse kinds of political systems whose common properties are a lack of regularized political competition and concern for political freedoms. We use the more neutral term Autocracy and define it operationally in terms of the presence of a distinctive set of political characteristics. In mature form, autocracies sharply restrict or suppress competitive political participation. Their chief executives are chosen in a regularized process of selection within the political elite, and once in office they exercise power with few institutional constraints. Most modern autocracies also exercise a high degree of directiveness over social and economic activity, but we regard this as a

APPENDIX F:

TI CPI Methodology

The Methodology of the 2005 Corruption Perceptions Index

The Corruption Perceptions Index (CPI) is a composite index, using data compiled between 2003 and 2005. 16 surveys of businesspeople and assessments by country analysts from 10 independent institutions enter the CPI.

All sources employ a homogeneous definition of "extent of corruption". The assessments are gathered from experienced respondents and enhance our understanding of real levels of corruption.

Comparisons to last year's index should be based on scores. However, such comparisons can be misleading because of methodological changes between years.

Non-parametric statistics are used for standardizing the data and for determining the precision of the scores.

Prof. Dr. Johann Graf Lambsdorff

Transparency International (TI) and
University of Passau
September 2005

Annex: Sources for the TI Corruption Perceptions Index (CPI) 2005

Number	1	2	3
Abbreviation	CU	EIU	FH
Source	Columbia University, The Center for International Earth Science Information Network	Economist Intelligence Unit	Freedom House
Name	State Capacity Survey	Country Risk Service and Country Forecast	Nations in Transit
Year	2003	2005	2005
Internet	http://www.ciesin.org/	www.eiu.com	http://www.freedomhouse.org/research/nattransit.htm
Who was surveyed?	US-resident country experts (policy analysts, academics and journalists)	Expert staff assessment	Assessment by US, regional, and in-country experts
Subject asked	Severity of corruption within the state	The misuse of public office for private (or political party) gain.	Extent of corruption as practiced in governments, as perceived by the public and as reported in the media as well as the implementation of anticorruption initiatives.
Number of replies	224	Not applicable	Not applicable
Coverage	95 countries	156 countries	29 countries/territories

Number	4	5	6
Abbreviation	IMD		
Source	International Institute for Management Development, Lausanne, Switzerland		
Name	World Competitiveness Yearbook		
Year	2003	2004	2005
Internet	www.imd.ch		
Who was surveyed?	Executives in top and middle management; domestic and international companies		
Subject asked	Bribing and corruption exist in the economy		
Number of replies	> 4,000	4166	Roughly 4000
Coverage	51 countries		

Number	7	8
Abbreviation	II	MIG
Source	Information International	Merchant International Group
Name	Survey of Middle Eastern Businesspeople	Grey Area Dynamics
Year	2003	2005
Internet	www.information-international.com	www.merchantinternational.com
Who was surveyed?	Senior businesspeople from Bahrain, Lebanon and UAE	Expert staff and network of local correspondents
Subject asked	How common are bribes, how costly are they for doing business and how frequently are public contracts awarded to friends and relatives in neighboring countries	Corruption, ranging from bribery of government ministers to inducements payable to the "humblest clerk".
Number of replies	382 assessments from 165 respondents	Not applicable
Coverage	31 countries	155 countries

Number	9	10	11
Abbreviation	PERC		
Source	Political & Economic Risk Consultancy		
Name	Asian Intelligence Newsletter		
Year	2003	2004	2005
Internet	www.asiarisk.com/		
Who was surveyed?	Expatriate business executives		
Subject asked	How bad do you consider the problem of corruption to be in the country in which you are working as well as in your home country?		
Number of replies	More than 1,000	More than 1,000	More than 1,000
Coverage	14 countries		12 countries

Number	12	13
Abbreviation	WMRC	UNECA
Source	World Markets Research Centre	United Nations Economic Commission for Africa
Name	Risk Ratings	Africa Governance Report
Year	2005	2005
Internet	www.wmrc.com	http://www.uneca.org/agr/
Who was surveyed?	Expert staff assessment	National expert survey (between 70 and 120 in each country)
Subject asked	The likelihood of encountering corrupt officials, ranging from petty bureaucratic corruption to grand political corruption.	"Corruption Control". This includes aspects related to corruption in the legislature, judiciary, and at the executive level and as well as in tax collection. Aspects of access to justice and government services are also involved
Number of replies	Not applicable	Roughly 2800
Coverage	186 countries	28 countries

Number	14	15	16
Abbreviation	WEF		
Source	World Economic Forum		
Name	Global Competitiveness Report		
Year	2003/04	2004/05	2005/06
Internet	www.weforum.org		
Who was surveyed?	Senior business leaders; domestic and international companies		
Subject asked	Undocumented extra payments or bribes connected with various government functions.		
Number of replies	7,741	8,700	10,993
Coverage	102 countries	104 countries	117 countries

APPENDIX G:

Mauro's Bureaucratic Efficiency Index

APPENDIX 3:
BUSINESS INTERNATIONAL AND ELF INDICES

	Efficiency of the Judiciary System (1)	Red Tape (2)	Corruption (3)	Political stability (4)	Bureaucratic efficiency (average of 1–3) (5)	Ethnolinguistic fractionalization (6)
Algeria	7.25	2.5	5	7.71	4.92	43
Angola	4	5.33	8.66	4.61	6.00	78
Argentina	6	6.66	7.66	7.72	6.77	31
Australia	10	9.25	10	8.50	9.75	32
Austria	9.5	7.25	8	9.04	8.25	13
Bangladesh	6	4	4	6.50	4.67	NA
Barbados	NA	NA	NA	NA	NA	22
Belgium	9.5	8	9.75	8.00	9.08	55
Benin	NA	NA	NA	NA	NA	62
Bolivia	NA	NA	NA	NA	NA	68
Botswana	NA	NA	NA	NA	NA	51
Brazil	5.75	4	5.75	7.54	5.17	7
Burkina Faso	NA	NA	NA	NA	NA	68
Burma	NA	NA	NA	NA	NA	47
Burundi	NA	NA	NA	NA	NA	4
Cameroon	7	6	7	8.50	6.67	89
Canada	9.25	9.5	10	9.00	9.58	75
CAR	NA	NA	NA	NA	NA	83
Chad	NA	NA	NA	NA	NA	69
Chile	7.25	9.25	9.25	6.46	8.58	14
Colombia	7.25	4.5	4.5	6.00	5.42	6
Congo	NA	NA	NA	NA	NA	66
Costa Rica	NA	NA	NA	NA	NA	7
Cyprus	NA	NA	NA	NA	NA	35
Denmark	10	9.5	9.25	8.50	9.58	5
Dominican Rep.	6.75	6	6.5	7.58	6.42	4
Ecuador	6.25	5	5.5	6.63	5.58	53
Egypt	6.5	3	3.25	8.67	4.25	4
El Salvador	NA	NA	NA	NA	NA	17
Ethiopia	NA	NA	NA	NA	NA	69
Finland	10	8.5	9.5	8.79	9.33	16
France	8	6.75	10	8.92	8.25	26
Gabon	NA	NA	NA	NA	NA	69
Gambia	NA	NA	NA	NA	NA	73
Germany	9	7.5	9.5	8.21	8.67	3
Ghana	4.66	2.33	3.66	5.00	3.55	71
Greece	7	4	6.25	8.63	5.75	10
Guatemala	NA	NA	NA	NA	NA	64
Guinea	NA	NA	NA	NA	NA	75
Guyana	NA	NA	NA	NA	NA	58
Haiti	2	2	2	6.67	2.00	1

APPENDIX 3
(CONTINUED)

	Efficiency of the Judiciary System (1)	Red Tape (2)	Corruption (3)	Political stability (4)	Bureaucratic efficiency (average of 1–3) (5)	Ethnolinguisti fractiona ization (6)
Honduras	NA	NA	NA	NA	NA	16
Hong Kong	10	9.75	8	9.50	9.25	2
Iceland	NA	NA	NA	NA	NA	5
India	8	3.25	5.25	7.00	5.50	89
Indonesia	2.5	2.75	1.5	7.46	2.25	76
Iran	2	1.25	3.25	3.25	2.17	76
Iraq	6	3	10	5.72	6.33	36
Ireland	8.75	7.5	9.75	7.67	8.67	4
Israel	10	7.5	9.25	6.25	8.92	20
Italy	6.75	4.75	7.5	7.92	6.33	4
Ivory Coast	6.5	7.75	6	8.33	6.75	86
Jamaica	7.33	4	5	7.50	5.44	5
Japan	10	8.5	8.75	9.42	9.08	1
Jordan	8.66	6.33	8.33	7.78	7.77	5
Kenya	5.75	5	4.5	6.96	5.08	83
Korea	6	6.5	5.75	7.50	6.08	0
Kuwait	7.5	6.25	7.75	8.33	7.17	18
Lesotho	NA	NA	NA	NA	NA	22
Liberia	3.33	5	2.66	5.00	3.66	83
Luxembourg	NA	NA	NA	NA	NA	15
Madagascar	NA	NA	NA	NA	NA	6
Malawi	NA	NA	NA	NA	NA	62
Malaysia	9	6	6	8.42	7.00	72
Mali	NA	NA	NA	NA	NA	78
Malta	NA	NA	NA	NA	NA	8
Mauritania	NA	NA	NA	NA	NA	33
Mauritius	NA	NA	NA	NA	NA	58
Mexico	6	5.25	3.25	6.88	4.83	30
Morocco	6.66	5.33	5.66	7.11	5.88	53
Mozambique	NA	NA	NA	NA	NA	65
Nepal	NA	NA	NA	NA	NA	70
Netherlands	10	10	10	8.83	10.00	10
New Zealand	10	10	10	8.50	10.00	37
Nicaragua	6	4	8.75	5.50	6.25	18
Niger	NA	NA	NA	NA	NA	73
Nigeria	7.25	2.75	3	7.29	4.33	87
Norway	10	9	10	9.50	9.67	4
Pakistan	5	4	4	5.33	4.33	64
Panama	6.75	7.25	5	7.54	6.33	28
Papua New G.	NA	NA	NA	NA	NA	42
Paraguay	NA	NA	NA	NA	NA	14

APPENDIX 3
(CONTINUED)

	Efficiency of the Judiciary System (1)	Red Tape (2)	Corruption (3)	Political stability (4)	Bureaucratic efficiency (average of 1–3) (5)	Ethnolinguistic fractionalization (6)
Peru	6.75	5.75	7.25	6.04	6.58	59
Philippines	4.75	5	4.5	6.08	4.75	74
Portugal	5.5	4.5	6.75	7.54	5.58	1
Rwanda	NA	NA	NA	NA	NA	14
Saudi Arabia	6	5.25	4.75	8.33	5.33	6
Senegal	NA	NA	NA	NA	NA	72
Sierra Leone	NA	NA	NA	NA	NA	77
Singapore	10	10	10	10.00	10.00	42
Somalia	NA	NA	NA	NA	NA	8
South Africa	6	7	8	6.50	7.00	88
Spain	6.25	6	7	6.67	6.42	44
Sri Lanka	7	6	7	7.22	6.67	47
Sudan	NA	NA	NA	NA	NA	73
Sweden	10	8.5	9.25	9.00	9.25	8
Switzerland	10	10	10	9.25	10.00	50
Syria	NA	NA	NA	NA	NA	22
Taiwan	6.75	7.25	6.75	8.58	6.92	42
Tanzania	NA	NA	NA	NA	NA	93
Thailand	3.25	3.25	1.5	5.63	2.67	66
Togo	NA	NA	NA	NA	NA	71
Trinidad/Tobago	8	4	6.5	7.79	6.17	56
Tunisia	NA	NA	NA	NA	NA	16
Turkey	4	5.33	6	8.17	5.11	25
Uganda	NA	NA	NA	NA	NA	90
United Kingdom	10	7.75	9.25	8.33	9.00	32
United States	10	9.25	10	9.33	9.75	50
Uruguay	6.5	6	8	9.00	6.83	20
Venezuela	6.5	4	5.75	7.71	5.42	11
Yemen	NA	NA	NA	NA	NA	2
Zaire	2	2.66	1	5.05	1.89	90
Zambia	NA	NA	NA	NA	NA	82
Zimbabwe	7.5	7.75	8.75	6.50	8.00	54

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