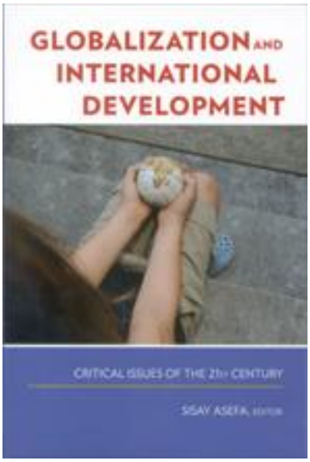
Upjohn Institute Press

Can Globalization Help?



Ian Goldin
Oxford University

Kenneth A. Reinert
George Mason University

Chapter 2 (pp. 5-36) in:
Globalization and International Development: Critical Issues of the 21st Century
Sisay Asefa, ed.
Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2010
DOI: 10.17848/9781441678829.ch2

Copyright ©2010. W.E. Upjohn Institute for Employment Research. All rights reserved.

Globalization and International Development

Critical Issues of the 21st Century

Sisay Asefa
Editor

2010

W.E. Upjohn Institute for Employment Research
Kalamazoo, Michigan

Library of Congress Cataloging-in-Publication Data

Globalization and international development : critical issues of the 21st century / Sisay Asefa, editor.
p. cm.
Includes index.
ISBN-13: 978-0-88099-366-1 (pbk. : alk. paper)
ISBN-10: 0-88099-366-9 (pbk. : alk. paper)
ISBN-13: 978-0-88099-367-8 (hbk. : alk. paper)
ISBN-10: 0-88099-367-7 (hbk. : alk. paper)
1. Globalization—Economic aspects. 2. Economic development. 3. International trade. 4. International finance. 5. Economic assistance. 6. Poverty. I. Sisay Asefa, 1950-
HF1359.G58277 2010
338.91—dc22
2010010285

© 2010
W.E. Upjohn Institute for Employment Research
300 S. Westnedge Avenue
Kalamazoo, Michigan 49007-4686

The facts presented in this study and the observations and viewpoints expressed are the sole responsibility of the authors. They do not necessarily represent positions of the W.E. Upjohn Institute for Employment Research.

Cover design by Alcorn Publication Design.
Index prepared by Diane Worden.
Printed in the United States of America.
Printed on recycled paper.

2
Can Globalization Help?

Ian Goldin
Oxford University

Kenneth A. Reinert
George Mason University

Globalization broadly refers to the expansion of worldwide linkages within and increasing interdependence of human activity in the economic, social, cultural, political, technological, and even biological spheres. The areas in which globalization operates can interact with one another. For instance, while HIV/AIDS is a biological phenomenon, it interacts with economic, social, cultural, political, and technological forces at global, regional, national, and community levels. The relationship between globalization and development is not well understood, and disagreement regarding this relationship abounds. Globalization is, to many, the best means of bringing prosperity to the greatest number of people all around the world. For others, it represents an important cause of global poverty.

The five economic dimensions of globalization examined here are trade, finance, aid, migration, and ideas. Whereas trade is the exchange of goods and services among the countries of the world, capital flows involve the exchange of assets or financial instruments among these countries. Foreign aid involves the transfer of loans and grants among countries, as well as technical assistance or capacity building. Migration takes place when people move between countries, either temporarily or permanently, to seek education and employment or to escape adverse political environments. Ideas represent the broadest globalization phenomenon. They involve the generation and international transmission of intellectual constructs in areas such as technology, management, or governance.

One can hope that these dimensions of economic globalization would contribute to development and poverty alleviation, and this is indeed often the case. In other instances, however, the link between globalization and development breaks down. As we will argue here, there are no statements regarding the relationship between globalization and development that are both simple and accurate. Rather, statements regarding this relationship are necessarily complex if they are to be accurate.[1]

A HISTORICAL VIEW

Economic historians date the modern era of globalization to approximately 1870. The period from 1870 to 1914 is often considered to be the birth of the modern world economy, which, by some measures, was as integrated as it is today. Historians have observed that, from the point of view of capital flows, the late 1800s were an extraordinary time.[2] The global integration of capital markets was facilitated by advances in rail and ship transportation and in telegraph communication. European colonial systems were at their highest stages of development, and migration was at a historical high point in relation to the global population of the time.

This first modern stage of globalization was followed by two additional stages, one from the late 1940s to the mid-1970s and another from the mid-1970s to the present. These, however, were preceded by World War I, the Great Depression, and World War II. During these events, many aspects of globalization were reversed as the world experienced increased conflict, nationalism, and patterns of economic autarky. To some extent, then, the second and third modern stages of globalization merely involved regaining lost levels of international integration.

The second modern stage of globalization began at the end of World War II. It was accompanied by a global, economic regime developed by the Bretton Woods Conference of 1944 establishing the International Monetary Fund (IMF), what was to become the World Bank, and the General Agreement on Tariffs and Trade (GATT). This stage of globalization involved an increase in capital flows from the United States, as well as a U.S.-inspired production system that relied on exploiting economies of scale in manufacturing and the advance of U.S.-based multinational enterprises (MNEs).

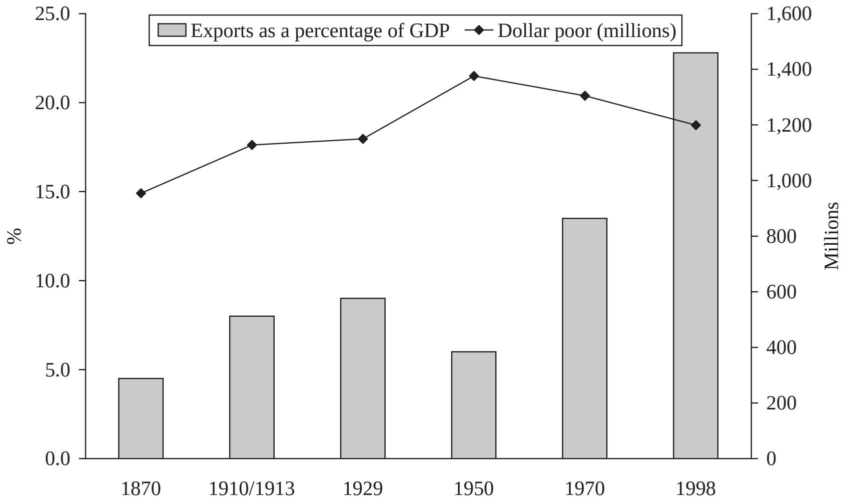
This second stage also involved some reduction of trade barriers under the auspices of GATT. Developing countries were not highly involved in this liberalization, however. In export products of interest to developing countries (agriculture, textiles, and clothing), a system of nontariff measures in rich countries evolved. Also, a set of key developing countries, especially those in Latin America, pursued import substitution industrialization with their own trade barriers.[3] These developments, along with the Cold War, suppressed the integration of many developing countries into the world trading system.

The third modern stage of globalization began in the late 1970s. This stage followed the demise of monetary relationships developed at the Bretton Woods Conference and involved the emergence of the newly industrialized countries of East Asia, especially Japan, Taiwan (China), and the Republic of Korea. Rapid technological progress, particularly in transportation, communication, and information technology, began to dramatically lower the costs of moving goods, capital, people, and ideas across the globe.[4]

What has been the historical relationship among these three stages of modern globalization and development? A partial view is found in Figure 2.1. This figure combines a single measure of globalization—exports as a percentage of world gross domestic product (GDP)—with a single measure of poverty—the number of extremely dollar poor people—in a time series from 1870 to 1998. What is clear from this figure is that, historically, globalization and global poverty can be either positively related or negatively related to each other. From 1870 through 1929 and the beginning of the Great Depression, globalization (trade) and global poverty increased together. However, the retreat from globalization during the Great Depression and World War II was accompanied by a continued increase in global poverty. This can be seen from the 1950 data in the figure showing that, when exports as a percentage of GDP had declined nearly back to the 1870 level, extreme poverty reached a peak of approximately 1.4 billion persons.

As seen in Figure 2.1, the increase in globalization as measured by trade in the second and third stages of modern globalization has been associated with a gradual decline in extreme poverty to approximately 1.1 billion people. During these stages, globalization and poverty have been negatively associated with each other, albeit mildly so. A key public policy challenge facing humankind is to *eliminate* this still-prominent

Figure 2.1 Trade and Extreme Poverty in Historical Perspective



SOURCE: Exports as a percentage of GDP from Ocampo and Martin (2003), based on Maddison (2001). Dollar poor from Bourguignon and Morrisson (2002) and Chen and Ravallion (2004).

level of extreme poverty. Understanding how to do this requires a deeper understanding of the links between globalization and poverty.

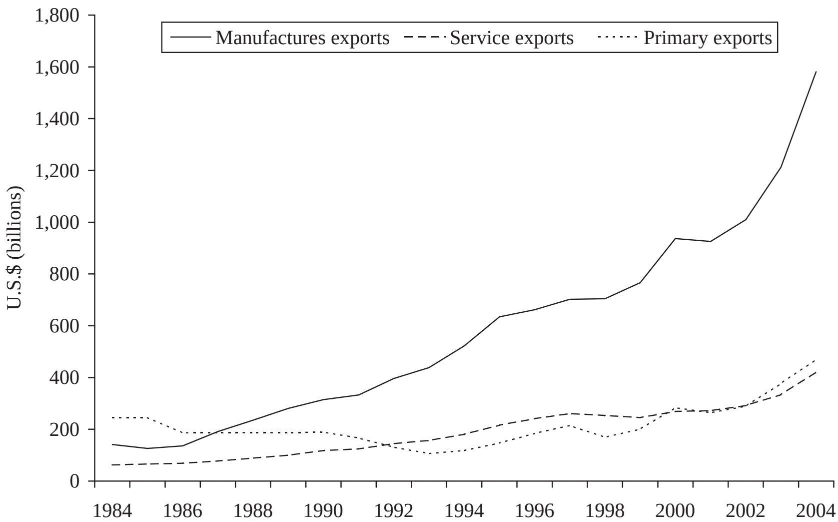
TRADE

Of all aspects of globalization, international trade is held out as the great hope for poverty alleviation.[5] Trade can contribute to poverty alleviation by expanding markets, promoting competition, and raising productivity, each of which has the potential to increase the real incomes of poor people. But it would be a mistake to rely on trade liberalization alone as a means of reducing poverty.[6] A more comprehensive approach is needed that addresses multiple economic and social challenges simultaneously and that emphasizes the expansion of poor people's capabilities, especially in the areas of health and education.[7] Nevertheless, trade has some vital roles to play.

Since the mid-1980s, developing countries have increased their global trade exports significantly, even in services where their comparative advantage is typically seen as weak. For various reasons, not the least of which are trade barriers maintained by rich countries, developing country agricultural (primary) exports have been stagnant (see Figure 2.2). There is also a divergence of export experience across developing countries, with Africa's share of world exports declining over time.

International trade is a means of expanding markets, and market expansion can help generate employment and incomes for poor people. Comparisons are often made between the wages of workers in poor-country export industries and the wages of workers in developed countries. In these comparisons, the wages of workers in developing-country export industries often appear to be very low. Consequently, trade has often been identified as poverty worsening. However, the more rele-

Figure 2.2 Nominal Exports of Developing Countries



SOURCE: World Bank, World Development Indicators Online.

vant comparison is between the wages of export sector workers with agricultural day laborers, both in the same developing country. Here it can often be seen that the alternative of agricultural day labor is much worse. It is precisely this type of income comparison that draws workers into export industries.[8]

It must be kept in mind that not all export activity is equal from the point of view of raising the incomes of poor people. Exporting can best contribute to poverty alleviation when it supports labor-intensive production, human capital accumulation (both education and health), and technological learning. In addition, the incomes of poor individuals depend on buoyant and sustainable export incomes, which in turn are dependent on export prices.

International trade is also a means of promoting competition, and in many instances, this can help poor people. Increased competition lowers the real costs of both consumption and production. For example, domestic monopolies charge monopoly prices that can be significantly above competitive prices. The competition introduced by imports erodes market power, lowering prices. These procompetitive effects of trade can expand household budgets and lower the costs of production. The latter can have additional employment effects that are advantageous to poor individuals by lowering nonwage costs in labor-intensive production activities. Procompetitive effects can also arise in the case of monopsony power. Here, sellers (small farmers, for example) to the monopsony buyer are able to obtain higher prices for their goods as the buying power of the monopsonist is eroded.

There is some evidence that international trade can promote productivity in a country, and it is possible that productivity increases can in turn support the incomes of poor people.[9] Exports of all types or in all countries cannot generate positive productivity effects, but in certain instances they can. Export postures can place the exporting firms in direct contact with discerning international customers, facilitating upgrading processes. There is no consensus within international economics on the extent of these upgrading effects, but they are present in some cases.[10]

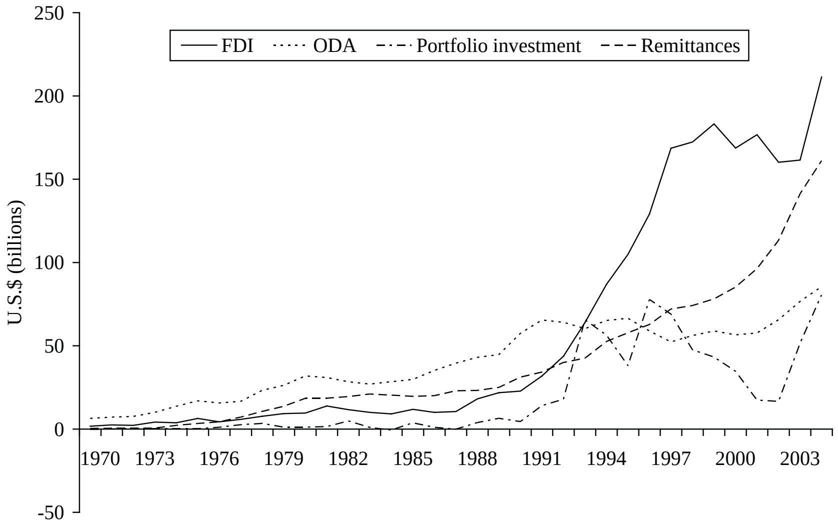
There are occasions when international trade can have direct health and safety impacts on poor individuals—impacts that can be beneficial or detrimental. Perhaps most importantly, improving the health outcomes of poor people usually involves imports of medical products. It is simply not possible for most small, developing countries to produce the entire range of even basic medical supplies, no less more advanced medical equipment and pharmaceuticals. However, many developing countries import large amounts of weaponry and export sexual services, both of which can have dramatically negative outcomes for the health and safety of poor individuals.[11] In addition, the production processes of some export industries can adversely affect the health of workers in those industries, and a small but important amount of trade involves hazardous waste dumping.

CAPITAL FLOWS

Private capital flows are an important resource for developing countries. They augment domestic savings and can contribute to investment, growth, financial sector development, and technology transfer. However, there is also substantial evidence that capital flows entail potential costs that are both much larger than in the case of trade and disproportionately carried by the poor. Additionally, it has become clear that not all capital flows are the same in their benefit and cost characteristics. For these reasons, the cost and benefit characteristics of distinct types of capital flows must be considered in some detail.[12] Here we distinguish among foreign direct investment, equity portfolio investment, bond finance, and commercial bank lending.

The financial markets involved in equity portfolio investment, bond finance, and commercial bank lending are characterized by a number of market failures. In normal circumstances, these imperfections tend to contribute to a certain amount of market volatility, as shown in Figure 2.3. Under certain circumstances that are not fully understood (but are particularly important in emerging economies), they can lead to full-blown financial crises. Imperfections in financial markets appear to be particularly problematic when commercial banks in developing countries are given access to short-term, foreign lending sources.[13] The resulting problems have three causes. First, systems of financial intermediation in developing countries tend to rely heavily on the banking sector, while other types of financial intermediation typically are being underdeveloped. Second, developing countries have been encouraged

Figure 2.3 Nominal Flows of Aid, FDI, Portfolio Investment, and Remittances to Developing Countries



SOURCE: World Bank, World Development Indicators Online.

to liberalize domestic financial markets, sometimes before systems of prudential bank regulation and management are put in place. Third, developing countries have sometimes prematurely liberalized their capital accounts.[14] Consequently, care must be taken in managing evolving financial systems and their access to international capital flows.

Foreign Direct Investment

Foreign direct investment (FDI) can have positive impacts on poverty by creating employment, improving technology and human capital, and promoting competition. Not all kinds of FDI contribute in this way, however, and some can adversely impact certain dimensions of poverty through unsafe working conditions and environmental degradation. Nevertheless, as it pertains to poverty alleviation, FDI is the most promising category of capital flows.[15] As can be seen in Figure 2.3, these flows have risen substantially in recent years.

Many developing countries lack access to the technologies available in developed countries, and hosting MNEs from developed countries is one way to potentially gain access to that technology. There are limits to technology transfer, however. First, MNEs will employ the technology that most suits *their* strategic needs and not the development needs of host countries. For example, MNEs can employ processes that are much more capital intensive than would be desired on the basis of host-country employment considerations.[16] Second, there is a strong tendency for MNEs to conduct their research and development in their home bases rather than in host countries.[17]

Despite these general limitations, in some important cases, MNEs do transfer technology and establish significant relationships with host-country suppliers via backward linkages. If foreign MNE begins to source inputs locally rather than by importing them, the host country can gain a number of important benefits. First, employment can increase since the sourced inputs represent new production. Second, production technologies can be better adapted to local conditions since suppliers are more likely to employ labor-intensive processes. Third, the MNE can transfer state-of-the-art business practices and technologies to the local suppliers. Fourth, it is possible that the local suppliers can coalesce into a spatial cluster that supports innovation and upgrading.[18]

Another avenue through which MNEs can positively affect host economies is through "spillovers" to other sectors of these economies. The evidence to date suggests that such spillovers do occur in some circumstances and can be significant. However, in the words of Blomström and Sjöholm (1999), they are not "guaranteed, automatic, or free." What determines whether positive technology spillovers will occur? Many factors are involved, and these include host country policies, MNE behavior, and industry characteristics. One key factor is the capacity of local firms to absorb foreign technologies. Blomström and Kokko (2003) suggest that learning is a key capacity that is responsive to various host country policies, and evidence presented in Tsang, Nguyen, and Erramilli (2004) in the case of Vietnam supports this view.

There is some evidence that MNEs in Africa offer higher wages than domestic firms (see te Velde and Morrissey [2003]). This effect is more predominant for skilled than unskilled workers. FDI can therefore have differential impacts that exclude unskilled workers. This can result in what te Velde (2001) refers to as the "low-income low-skill trap." All of these considerations point to the role of basic education and skills development in making the most of FDI for poverty alleviation.[19]

The low-income countries as a whole are largely excluded from global FDI flows. For example, in 2002, low-income countries received only 2 percent of total FDI flows, with nearly half of this going to India and Vietnam alone. For these countries, exclusion from this dimension of globalization is a long-term concern.

Equity Portfolio Investment

There is evidence that capital inflows in the form of equity portfolio investment might be more beneficial than both bond finance and commercial bank lending. For example, Reisen and Soto (2001) have examined the impact of all four capital inflows considered here on growth for a sample of 44 countries. They find that FDI, considered above, did indeed have a positive impact on economic growth. The most positive growth impact, however, came from equity portfolio flows. Bond finance, considered below, did not have any impact on growth, and commercial bank lending, also considered below, had a negative impact. These results suggest that equity inflows, along with FDI, could play an especially positive role in growth, development, and poverty alleviation.

Why can equity portfolio investment play a positive role in growth and development, at least under some circumstances? Rousseau and Wachtel (2000) summarize research on this question with four possibilities: 1) equity portfolio inflows are an important source of funds for developing countries; 2) the development of equity markets helps to provide an exit mechanism for venture capitalists, and this increases entrepreneurial activity; 3) portfolio inflows assist developing countries to move from short-term finance to longer-term finance and help to finance investment in projects that have economies of scale; and 4) the development of equity markets provides an informational mechanism evaluating the performance of domestic firms and can help provide incentives to managers to perform well.

With regard to volatility, there is some evidence that institutional investors managing equity flows are less likely than banks to engage in herd and contagion behavior.[20] However, in general, equity markets are underdeveloped in much of the developing world. For example, nearly the entire net portfolio equity inflows into Sub-Saharan Africa are accounted for by one country alone: South Africa. The World Bank (2004) summarizes the features of developing-country equity markets as follows:

> Market capitalization as a share of GDP in low-income countries is about one-sixth of that in high-income countries . . . Stock exchanges in developing countries also tend to lag technologically behind developed markets. Technology plays a major role in the trading, clearance, and settlement processes; problems in those areas can discourage sophisticated investors. Institutions that supervise and support the operation of the stock exchange also tend to be weaker in developing countries. (p. 95)

The development of equity markets in low- and middle-income countries is more complex than it might first appear, however. This is due to the increased globalization of financial services. Observers have pointed to a set of domestic factors as being particularly important in equity market development. These factors include sound macroeconomic policies, minimal degrees of technology, legal systems that protect shareholders, and open financial markets. However, as pointed out by Claessens, Klingebiel, and Schmukler (2002), these are precisely the factors that tend to promote the "migration" of equity exchange out of developing countries to the major exchanges in financial capital of developed countries. This migration process complicates standard notions of equity market development. Steil (2001) has argued that the way forward is to link local markets with global markets. However, there might remain medium-sized firms with local information needs that could benefit from some kind of domestic or regional equity market. This is an area that requires urgent attention for the development of novel approaches.

Bond Finance and Commercial Bank Lending

In the minds of the financial world, there are significant differences between portfolio equity investment and debt. This shows up in the fact that, in the case of bankruptcy, debt is given priority over equity. This tends to support the preference for debt over equity in markets, a preference that appears to be misplaced from a development and poverty alleviation perspective. With regard to commercial bank lending, Dobson and Hufbauer (2001) note that "bank lending may be more prone to run than portfolio capital, because banks themselves are highly leveraged, and they are relying on the borrower's balance sheet to ensure repayment" (p. 47). The World Bank (2001) notes that "incentives are key to limiting undue risk-taking and fraudulent behavior in the management and supervision of financial intermediaries—especially banks that are prone to costly failure" (p. 3).

What can be done to support the safe development of banking sectors in low-income countries? Some of the necessary steps can be thought of in terms of information, institutions, and incentives. With regard to information, it is important for banks to embrace internationally sanctioned accounting and auditing procedures and to make the results of these assessments available to the public. In the case of institutions or the rules of the "banking game," risk management practices (both credit and currency) must be sufficiently stringent, and prudential regulation systems must be well developed. With regard to currency risk, the World Bank (2004) notes that "particular care should be taken to ensure that foreign-currency liabilities are appropriately hedged" (p. 30).[21] These information and institutional safeguards are no small task and inevitably cannot be achieved in the short term. Consequently, they should be buttressed with incentive measures in the form of market-friendly taxes on banking capital inflows. For example, Eichengreen (1999) argues that "banks borrowing abroad should be required to put up additional noninterest-bearing reserves with the central bank" (p. 117). Such taxes on short-term capital inflows in the form of variable deposit requirements appear to be important to prevent destabilizing episodes of overborrowing.[22]

To summarize, debt flows in the form of bond finance and commercial bank lending appear to have different properties than equity flows in the form of FDI and portfolio equity investment. They are more prone to the imperfect behaviors that characterize financial markets and do not appear to have positive growth effects as large as those associated with equity flows. Consequently, utilization of debt finance must be cautious and sufficiently hedged against exchange rate risks.

AID

It has been relatively recently that governments began to provide financial and technical assistance to foreign countries. The purpose of this assistance has varied and has included geopolitical objectives, stimulating economic development, ameliorating poverty, promoting political outcomes, and ensuring civil stability. Although foreign aid is often visualized in terms of financial "handouts" by rich countries to the world's poorest inhabitants, the truth is significantly more complex. Indeed, contrary to popular perception, low-income countries generally receive less than half of total aid flows. Much of the remainder is made up by flows to middle-income countries, and some high-income countries of strategic interest receive significant amounts of assistance.

Foreign aid, or official development assistance (ODA), as it is technically known, is composed of a wide range of financial and nonfinancial instruments used in support of growth and poverty-reduction efforts. The transfer of financial resources is an important part of development assistance, but finance is only one of the instruments used to support development. Nonfinancial forms of assistance include tangible grants of machinery or equipment and less tangible contributions such as the provision of technical analysis, advice, or capacity building, including trade-related capacity building. Such forms of assistance are vital, especially in environments where finance is not likely to contribute to poverty reduction, such as early in postconflict situations or where institutions are particularly weak.

As is evident in Figure 2.3, since the 1990s, FDI and portfolio flows have dwarfed the historically recent flow of aid. For example, development aid in 2005 (US$106 billion) totaled only slightly over one-third of FDI in developing countries (US$281 billion). In terms of historical availability, flows of aid saw an initial rise from 1945 to 1960 but then increased only slowly from the 1960s until around 1990. From then until 2001, they dropped to only 0.2 percent of the GDP of high-income countries. In the last four or so years, this trend has been reversed, with ODA reaching a record high in 2005 and many countries committing themselves to doubling aid budgets by 2010. But only 5 of the 22 high-income countries of the OECD's Development Assistance Committee that pledged 0.7 percent of their GDP to foreign aid actually met this goal as of 2005.

In 2000, the Millennium Development Goals signaled a renewed push for increased aid flows and better aid effectiveness, and there has been significant recent progress in increasing the impact of aid. Indeed, the estimated poverty-reduction productivity of ODA is significantly better than it was in the early 1990s (Collier and Dollar 2004).[23] When all aid is lumped together, some analyses have found no clear relationship between aid and growth or poverty reduction (see, for example, Boone [1996]). But not all aid is aimed directly at poverty reduction, nor has aid always been provided in ways that will maximize growth. Moreover, because aid is often provided to help countries cope with external shocks, even if aid is reasonably well designed and allocated, the positive impact of such aid may be obscured by the magnitude of the shocks. Disaster relief, for example, is not aimed directly at long-term poverty reduction, and thus it is no surprise that such aid is not correlated with that result.[24] However, it does achieve its goal of helping to avert famine or assisting countries to recover from natural disasters.

Donors initially placed too much emphasis on the role of what were often isolated projects, neglecting the quality of the overall country environment for growth, a mistake that adjustment or (policy-based) aid was intended to overcome. Additionally, as mentioned above, aid was sometimes allocated for purely strategic reasons, with growth and poverty reduction in these cases being distinct secondary concerns, if they were concerns at all. Given this diversity of motives, it is not surprising that aid did not always have the hoped-for effects on growth and poverty reduction.

The adjustment programs that came into their own in partial response to the macroeconomic imbalances of the 1970s had their own problems. Donors incorrectly believed that conditionality on loans and grants could substitute for country ownership. Too often, governments receiving aid were not truly committed to reforms. Moreover, neither donors nor governments focused sufficiently on poverty in designing the adjustment programs. In many countries, donors underestimated the importance of governance, institutional reforms, and social investments. Prescriptions for reform were too formulaic, ignoring the central need for country specificity. As a result, weak governance and institutions reduced the amount of productivity growth and poverty reduction that could result from the macroeconomic reforms.

During the 1990s, a rethinking of development models and the role of aid began. This was facilitated by a combination of four developments. First, the end of the Cold War reduced the geopolitical pressures on aid agencies. Second, there was an increasing recognition of the successes of India, China, and other developing countries that had achieved macro balance and sustained growth while adopting their own particular development models. Third, there was mounting evidence of an apparent failure of orthodox adjustment models adopted by African and other highly indebted countries, as evidenced by the lack of positive growth and poverty outcomes. Finally, there was a growing body of analytic literature that highlighted the importance of the need for a more comprehensive approach to development and wider understanding of poverty, focusing on both human capital (education, health) and physical capital (infrastructure), as well as institutions and participation.[25]

The statistical evidence shows that large-scale financial aid can generally be used effectively for poverty reduction when reasonably good policies are in place.[26] In recent years, donors have increasingly acted on these findings by tailoring support to local needs and circumstances. Thus, the balance of support has moved toward providing large-scale aid to those that can use it well and focusing on knowledge and capacity-building support in other countries. This has been reflected in greater selectivity and coordination in lending, shifting resources toward governance and institutions, emphasizing ownership, and making room for diverse responses to local needs. These new approaches and procedures have begun to pay off. However, it is clear that there is still much to learn: for example, how can countries with very weak governance effectively catalyze and support reforms and institution building?

Should we then use only policy and institutional quality as measures in determining aid flows? This would probably be too rash a conclusion. Research by Clemens, Radelet, and Bhavnani (2004) takes an entirely different approach: instead of focusing on the different policy and institutional characteristics of recipient countries, they focus on the characteristics of different types of aid flows. Importantly, they only consider what they term “short-impact” aid, which includes budget and balance of payments support, infrastructure investments, and aid for productive sectors such as agriculture and industry. In contrast to previous studies, they find a strong impact of aid on growth (and thus on poverty reduction, at least to some extent) regardless of institutions and policies.[27] In light of such evidence, it probably is too soon to call for substantial reallocations of aid other than of those flows that reflect only strategic, rather than humanitarian or economic, considerations.

MIGRATION

International migration involves the movement of people, on either a temporary or permanent basis, among the countries of the world economy. Throughout human history, these changes of residence have helped to alleviate human suffering, enhance technological progress, and promote cultural exchange. As of 2006, approximately 200 million people, or 3 percent of the world's population, lived outside their country of birth. Although this percentage is low by historical standards, international migration has doubled since 1980. Migration continues to be a key dimension of globalization and development, albeit one that has complex determinants and outcomes.

A central component of the modern era of globalization that began in the late nineteenth century was the Age of Mass Migration, described by Hatton and Williamson (1998). Between 1850 and 1914, approximately 55 million Europeans migrated, most of them unskilled males who settled in the United States. As Manning (2005) emphasizes, however, the Age of Mass Migration was not just European in nature, with 50 million Chinese and 30 million Indians also migrating (not all voluntarily), primarily to serve as unskilled laborers in British colonies in Africa and the Pacific. Since then, much has changed, with migration becoming an increasingly elusive escape route from poverty.

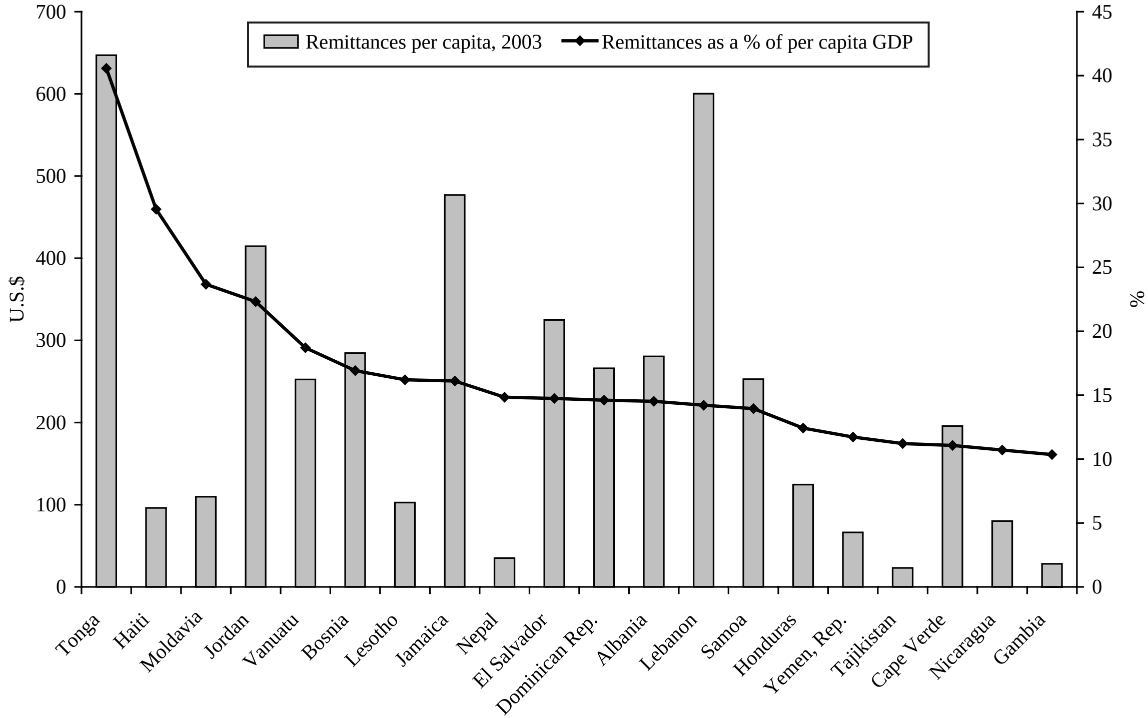
High-skilled migrants from developing countries are commonly trained at substantial costs to the taxpayers of source countries through public education systems. Their departure thus has profound effects in the form of what is known as brain drain. Source countries can also lose tax revenues that migrants would have generated. More importantly, many of the skills sent from less-developed to more-developed countries are already scarce in source countries. In the case of medical services, for which more-developed countries have a strong desire and less-developed countries an urgent need, the brain drain can cost lives. In Malawi, for example, HIV/AIDS has reduced the country's life expectancy to under 40 years. Despite this health crisis, the country has lost approximately half its nursing staff to migration. Partly as a result, the rate at which Malawian women die during pregnancy and childbirth has approximately doubled.[28]

The emigration of skilled workers does not always create problems for source countries. In some cases, emigration alerts outside investors to a large or relatively underused skill base of the source country. The success of skilled Indian migrants in the United States, for instance, helped to spur the large inflow of information and communication technology-related FDI to India seen during recent years. Many foreign information and communication technology companies, impressed by the talent working for them outside India, sought equivalently skilled individuals within India as employees in FDI-related facilities. Thus, when the conditions are right, skilled migrants are able to generate networks of investment, trade, and technology transfer that increase the productivity and demand for skills in the home country, while extending the global technology frontier and lowering the cost of products used by billions of people worldwide.

Another potentially compensating benefit of the brain drain is that it tends to increase the demand for skills in the source country by raising the rate of return to education. Some researchers have suggested that, even accounting for the emigration of skilled individuals, the increase in demand for education generated by brain drain may actually increase the number of skilled workers in the population. This is known as brain gain. While brain gain outcomes are possible, they depend on very large responses in the supply of education and training. They are not, therefore, a general outcome of high-skilled migration.

The most easily quantifiable benefit of emigration to source countries is the flow of money, or remittances, sent by migrant workers to their home countries. Recent estimates suggest that the total remittance flow to developing countries now exceeds US$200 billion (see Figure 2.3, which does not quite capture the current value due to data lags in the other series). In a number of countries, remittance inflows are larger than inflows of foreign direct investment and can compose up to 10 percent of national incomes. As is evident in Figure 2.4, such flows can

Figure 2.4 Foreign Remittances, 2003



SOURCE: World Bank, World Development Indicators Online.

make a significant difference for families living in poverty in source countries, which is a common reason why communities allow and sometimes even encourage their family members to seek work abroad (see Adams and Page [2005]).

Under the auspices of the World Trade Organization (WTO), the liberalization of services trade has occurred in a number of sectors of interest to developed countries such as finance and telecommunications. The WTO's General Agreement of Trade in Services (GATS) recognizes the temporary movement of natural persons as a way to export certain labor-intensive services such as housekeeping and construction. Given the natural comparative advantage of developing countries in such labor-intensive services, this channel could be of great importance to their trade and development prospects. The WTO protocol on the temporary movement of natural persons, however, is largely limited to the exchange of corporate personnel and is not designed to enhance the delivery of labor-intensive services. This urgently needs to be rectified.

IDEAS

Idea formation and reformation have been and continue to be integral to development processes and policies because, as emphasized by Adelman (2001), development processes are significantly nonlinear and nonunique. Consequently, ideas play a key role in organizing and making sense of development experience and have gone through a number of paradigm shifts. Importantly, the environments to which development ideas respond are increasingly affected by the various processes characterizing globalization. For this reason, the role of ideas in development processes cannot be clearly understood without reference to the various other dimensions of increased global integration.

Ideas are both a powerful influence on development and a key dimension of globalization. Relevant here are three areas of inquiry related to ideas, development, and globalization: 1) the idea of development itself, along with the related issue of the idea of growth; 2) the role of ideas in globalization processes; and 3) the question of ideas for development, along with the related issues of development knowledge management, intellectual property, and learning. We focus here on the last of these, ideas for development, since it has the most relevance to this chapter.

Ideas are codified in the form of knowledge, and knowledge is in many respects a public good. Once an idea has been codified, that knowledge can often be used at low marginal cost, and its use by any one person does not preclude its use by others. This characteristic of knowledge is precisely the hallmark of a public good and suggests that knowledge, like other public goods, will be underprovided by market systems. The challenge, then, is the effective development and management of knowledge, recognizing its (global) public good nature. Knowledge management, a difficult task for firms, is even more daunting for developing countries.

A first element of knowledge management for development is increasing the voice of developing countries and their impoverished citizens.[29] This is an essential ingredient of inclusive globalization and is especially important in global consultation and decision making with direct consequences for the citizens of developing countries. It is also important to enhance developing-country participation in global institutions in order to ensure their legitimacy. The governance of the United Nations (at least at the Security Council level), the World Bank, and the IMF reflects the balance of power 60 years ago.[30] There is widespread recognition of the need for enhancing the participation of developing countries. Although some progress has been made in areas related to program formation, the structural issues of voting rights and board representation remain intractable. It remains, however, as stated by Bhattacharya and Griffith-Jones (2004), "important to go beyond consultation to full representation of developing countries in bodies that deliberate and set international norms and action plans" (p. 205). The principles of transparency, accountability, and good governance that the global institutions advocate for developing countries should also be embraced by these institutions themselves. The requisite reforms are indeed daunting, but failure to undertake the challenge will undermine any chances of an effective, multilateral system for managing globalization and development.

A second element of knowledge management for development is broad access. In addition to investing in education and research, governments can facilitate the sharing of knowledge and make special efforts to overcome the exclusion of poor communities from ideas. A particular challenge is to make knowledge available in ways and languages that can be understood by wide audiences, such as local development practitioners who do not speak English. Timely and effective information flows on issues important to poor communities can both mitigate risks and expand opportunities. Such efforts include providing market prices to poor farmers via village mobile phones, broadcasting weather information and disaster warnings on local radios, and highlighting the risks of HIV/AIDS and the benefits of public health measures in community information campaigns. In these sorts of cases, knowledge helps to empower poor people.

A third element of knowledge management for development is increased technology transfer to developing countries. Article 66.2 of the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the WTO commits developed countries to providing "incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer" to the least-developed countries. This commitment needs to be implemented in practice and applied to a wider set of countries. As outlined by Hoekman, Maskus, and Saggi (2005), this can occur through a variety of measures, including

- incentives for corporations and nongovernmental organizations to transfer mature patent rights or to provide technical assistance,
- public support for research into the specific technology needs of developing countries,
- university training for students from the low-income countries in science and technology,
- finance for participation of developing country representatives in standard-setting bodies, and
- public purchase of patents on certain technologies for free use in developing countries.

These and other steps can better ensure that knowledge in the form of international technological development is more broadly spread in the developing world.

Ideas codified into knowledge can become property when legal systems confer and enforce intellectual property rights (IPRs). The role of IPRs in economic growth and development is controversial to say the least. The standard argument is that the presence of strong intellectual property rights spurs innovation, which in turn leads to higher rates of economic growth and poverty reduction. The basis of this argument is that, if strong property rights provide good incentives for the production of things, they must also provide appropriate incentives for the production of ideas. Boldrin and Levine (2002; 2004a,b) question this assertion, arguing that intellectual property has come to mean not only the right to own and sell ideas, but also the right to regulate their use, which can create a socially inefficient monopoly. They agree that, for efficiency reasons, ideas should be protected and available for sale, just like any other commodity. They object, however, to the idea of an intellectual monopoly, arguing that monopoly is neither needed for, nor a necessary consequence of, innovation, and that intellectual property is not necessary for innovation and growth. In fact, it can hurt more than help. Boldrin and Levine suggest that, although the producers of a new product or service should have the right to benefit from its sale, they should not be able to appropriate the right of others to learn from the ideas embodied in that product. This argument has important implications for the role of ideas in globalization and development.

Since IPRs involve a key trade-off between potentially enhancing innovation and supporting the monopolization of ideas, their application requires careful analysis of both benefits and costs of conferral in order to ensure that IPR regimes promote both growth and more equitable development. How this can best be done is a question to which answers greatly diverge. We consider here the issues of patents and traditional knowledge.

Patents are a central concern with regard to the role of IPRs in development, especially in the areas of health, food, and agriculture. As summarized by Leach (2004), for instance, "The essential trade-off in choosing the patent life is that a longer patent life raises the rate at which discoveries occur, but reduces the social benefits of each discovery" (p. 175). The proponents of stronger patent protection in developing countries argue that this protection will promote domestic innovation as well as the flow of ideas through increased FDI and exports. There is not complete agreement on this matter, however. For example, Kash and Kingston (2001) argue that, in the case of complex technologies, patent protection can actually inhibit innovation. To some extent, then, the ability of increased patent protection to deliver access to knowledge and innovation is uncertain.

One suggested reform of current intellectual property arrangements is to modify rules governing patents under the TRIPS agreement to allow for patent ladders, in which the minimum extent of patent protection varies according to level of per capita income. Although designing such a system is not straightforward, this is a way to avoid what, in the case of environmental or labor standards, is disparagingly called a "one-size-fits-all" approach to the standardization of global governance systems.

One key area regarding patent protection is in the field of pharmaceuticals and the extension of patent rights to developing countries as required by TRIPS. Although some argue that the extension of intellectual property rights may lead to more research on drugs to address developing country needs, the evidence on the short experience since this extension remains hotly contested (see, for example, Lanjouw and Cockburn [2001]). There is evidence that the relatively low levels of purchasing power in developing countries and the apparent lack of commercial interest by the pharmaceutical companies remain important barriers.

Recent years have seen a number of highly significant efforts to boost investment in research and its application in developing countries. These include the Measles Initiative, the Global Alliance for Vaccines and Immunizations, the Roll Back Malaria Partnership, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria. Despite these notable efforts, the recent example of the pressure placed on the governments of Brazil, India, and South Africa to honor U.S. patents on HIV/AIDS drugs, thus raising the costs of these drugs to AIDS patients in these countries, signals a remaining issue with regard to TRIPS and public health.

There appear to be two approaches to dealing with the ongoing issue of intellectual property and public health, namely the Lanjouw (2006) proposal on regional declarations in patent applications and compulsory licensing under a permanent amendment to TRIPS. Lanjouw proposes that developed-country patent systems allow for patent enforcement only in one of two regions of the world: developed countries or developing countries. In the case of what Lanjouw terms "global" diseases such as cancer or heart disease, developed-country pharmaceutical companies would choose to ensure patent protection in developed countries where markets are significantly larger, allowing for less costly delivery of generic pharmaceuticals to the developing world. In the case of "tropical" diseases such as malaria, pharmaceutical companies would choose to ensure patent protection in the developing countries, hopefully spurring innovation. Thus, the trade-off between innovation and low cost would hopefully break out in the desired fashion across global and tropical diseases.

This is an important proposal that has consequently received a good deal of attention. It may not, however, adequately cover some important diseases such as HIV/AIDS that have both global and tropical characteristics. There could indeed be cases where compulsory licensing proves to be required in order to adequately address public health crises. A 2001 Doha ministerial declaration on TRIPS and public health reconfirmed certain "flexibilities" available to protect public health, including compulsory licensing. This declaration did not, however, address the issue of the right of countries without domestic capacity to import nonpatent pharmaceuticals.[31] A 2003 WTO decision on this issue allowed poor countries to import off-patent, generic drugs under specified conditions, and directed the WTO TRIPS Council to prepare an amendment based "where appropriate" on the decision (Matthews 2004, 2006). An agreement regarding this amendment was reached in 2005 and ratified in 2007. It remains, however, both for supporting legislation in WTO member countries to be fully enacted and for the provisions of the amendment to be tested in practice.[32] It has become clear that capacity building is necessary to support use of the system.

From the point of view of poverty alleviation, it is essential that intellectual property protection be extended to traditional knowledge, folklore, and culture, or what Finger (2004) calls "poor people's knowledge." It is not only essential that intellectual property regimes allow developing countries to benefit from ideas developed in rich countries, but also that their own indigenous ideas are suitably protected. The key issue here, as expressed by Finger, is that of "enhancing the commercial value of poor people's knowledge in which there are no worries about this use being culturally offensive to members of the community or about this use undermining the traditional culture of the community" (p. 3). Unless it extends to such types of knowledge, intellectual property protection will fail to positively help poor communities. Individual country governments can help in this process by following India's lead and constructing Traditional Knowledge Digital Libraries containing formal inventories of all cultural property that its citizens might exploit in the future (Sahai 2003). This is important to prevent future theft of the country's cultural patrimony.

CONCLUSION

History and the recent experiences of many countries show that globalization can be a tool for reducing poverty. People living in poverty are less likely to remain so in a country that is exchanging its goods, services, and ideas with the rest of the world. Yet this positive impact and reach remains uneven and there is a need for global coordination and more effective global governance on issues such as armaments and climate change. Several key areas for action are outlined below.[33]

First, global trade negotiations must produce more balanced outcomes if developing countries are to be able to successfully lift their people out of poverty. Their ability to trade a wide range of goods and services must be facilitated, and rich countries must stop impeding development by the imposition of damaging tariff barriers and agricultural subsidies. For instance, there are twice as many tariff barriers imposed upon goods produced by poor people as those produced by rich countries. Nearly US$300 billion a year is spent on agricultural subsidies, which are almost worth more than the entire GDP of sub-Saharan Africa.[34] These subsidies deny developing countries export markets and damage their capability to sell their produce in their own country. These practices compound downward trends in commodity pricing, increase instability, and undermine potential for diversification into higher value-added manufactured products. Therefore, reforming the world trade system is a vital step in ensuring that all the world's inhabitants are able to reap the benefits of globalization.

The second area for action is the increased provision of aid, assistance, and debt relief to countries that demonstrate a commitment to the effective and equitable use of the additional resources. As mentioned above, aid volumes have declined during recent decades to approximately 0.25 percent of high-income countries' GDP, despite the fact that donor countries are richer now than ever before and that aid has never been more effectively used. Providing increased foreign assistance and implementing more rigorous schemes to monitor and evaluate the effective use of that aid are thus critical to ensuring that the gains provided by globalization are not reversed by bad governance and ineffective use of aid.

Foreign aid resource transfers are particularly important in the poorest countries, and much higher levels of aid are urgently required for investments in health, education, infrastructure, and for combating HIV/AIDS and other diseases. These investments cannot be financed by domestic savings alone, especially in countries that are currently crushed under burdens of debt and escaping the ravages of past corruption and mismanagement.

A third area for action is enhancing the benefits of migration and mitigating the negative effects. Remittances of over US$200 billion have flowed directly to a large number of individuals and communities (in contrast to much of aid). The transaction costs of such flows should be lowered from the current 10–15 percent to around 1 percent, which is closer to the cost of transfers between rich countries. On the other hand, the loss of highly skilled individuals in the "brain drain" needs to be mitigated, as it is a severe problem for many African and Caribbean developing countries. Addressing the problems of the current migration system and increasing its ability to provide real gains to poor people will require a multilateral as well as bilateral commitment to effective migration reform and management.

Finally, the international community should support global public goods. Three examples are in the areas of eradicating the major infectious diseases, enhancing agricultural research, and combating climate change. Most important, however, is the need for global peace and stability to prevent war and civil conflict, which do much to generate underdevelopment in many parts of the world.

Globalization has the potential to be a vehicle for shared growth, prosperity, and reductions in poverty. However, this potential is not yet being adequately realized, and the positive impacts of globalization remain uneven. Global trade equity, more and better aid, effectively benefiting from migration, and the support of global public goods are key areas for action on the route to successfully achieving development and harnessing the gains of globalization.

Notes

1. For further, more detailed discussion, we refer the reader to Goldin and Reinert (2007).
2. See, for example, James (1996, Chapter 1), O'Rourke and Williamson (1999), and World Bank (2002).
3. See Bruton (1998) for a review of import substitution industrialization.
4. See Levinson (2006) on the role of container shipping in this process.
5. See Dollar and Kraay (2004), for example. An alternative view is given in Rodríquez and Rodrik (2001). A thorough review of trade and poverty is provided by Winters, McCulloch, and McKay (2004).
6. The fact that the trade-poverty alleviation linkage is not automatic has been stressed by the United Nations Conference on Trade and Development (2004) in the case of the least developed countries.
7. Watkins and Fowler (2002) note that "In itself, trade is not inherently opposed to the interests of poor people. International trade can be a force for good, or for bad . . . The outcomes are not pre-determined. They are shaped by the way in which international trade relations are managed, and by national policies" (p. 28).
8. On the case of Bangladesh, for example, see Zohir (2001) and Watkins and Fowler (2002).
9. For a review of the evidence on trade liberalization and productivity, see Winters, McCulloch, and McKay (2004).
10. On the latter, see de Ferranti et al. (2002).
11. This point is emphasized by Reinert (2004).
12. Failure to do this weakens the claims of Rodrik and Subramanian (2008), for example.
13. The World Bank (2001) notes that "If finance is fragile, banking is the most fragile part" (p. 11).
14. For a critique of premature capital account liberalization, see Stiglitz (2000). As the World Bank (2001) notes, "Poor sequencing of financial liberalization in a poor country environment has undoubtedly contributed to bank insolvency" (p. 89). Hanson, Honohan, and Majnoni (2003) also note that "the riskiness of capital account liberalization without fiscal adjustment . . . and without reasonably strong financial regulation and supervision and a sound domestic financial system, is well recognized" (p. 10).
15. The present chapter is in broad agreement with Singh (1999), who says that "The experience of many Asian and Latin American countries with portfolio capital flows . . . indicates that the African countries would benefit from using their efforts and institutional resources to attract FDI rather than portfolio flows" (p. 356). It does, however, distinguish between portfolio flows in the form of equity investment and those in the form of bond finance, with a preference for the former.
16. Caves (1996) notes that "Survey evidence indicates that MNEs do some adapting (of technologies to labor-abundant conditions), but not a great deal, and it appears

that the costs of adaptation commonly are high relative to the benefits expected by individual companies" (p. 241).

17. Dunning (1993) notes that "With the exception of some European-based companies, the proportion of R&D activity by MNEs undertaken outside their home countries is generally quite small and, in the case of Japanese firms, negligible" (p. 301).
18. For the role of clusters in natural resource–based development, see Ramos (1998).
19. Borensztein, De Gregorio, and Lee (1998) find that it is the combination of FDI and education that has a statistically significant impact on growth.
20. Dobson and Hufbauer (2001, Chapter 1) review this evidence. Singh (1999), to some extent at least, contests this conclusion.
21. Mistakes made in these areas have proved to be too costly to the poor in the past for countries to relax their vigilance. Prasad et al. (2003) conclude that "The relative importance of different sources of financing for domestic investment, as proxied by the following three variables, has been shown to be positively associated with the incidence and the severity of currency and financial crises: the ratio of bank borrowing or other debt relative to foreign direct investment; the shortness of the term structure of external debt; and the share of external debt denominated in foreign currencies" (p. 49).
22. As emphasized by Bhinda et al. (1999), variable deposit requirements are flexible in three dimensions: 1) percentage, 2) minimum deposit period, and 3) application to new versus existing credits. These flexibilities, as well as their market-friendly nature, make variable deposit requirements an attractive policy option.
23. See, in particular, Goldin, Rogers, and Stern (2002). The overall debate on aid effectiveness is reviewed in Clemens, Radelet, and Bhavani (2004).
24. See Owens and Hoddinott (1998). As Clemens, Radelet, and Bhavani (2004) note, "This kind of assistance should have a negative simple correlation with growth, as the disaster simultaneously causes both low growth and large aid flows. While it is possible that aid might mitigate that fall in growth, any additional pathway of causation from humanitarian aid to growth is extremely difficult to detect" (p. 2).
25. In the realm of foreign aid, some (but not all) of this new thinking was reflected in World Bank (1998).
26. See Burnside and Dollar (2000). These results have been recently questioned by Easterly, Levine, and Roodman (2004).
27. The authors note that "The result is robust over a wide variety of specifications . . . It holds over various time periods, stands up whether we include or exclude influential observations, and remains robust when controlling for possible endogeneity of several independent variables" (p. 40).
28. Approaches to deal with the difficult issue of brain drain of health professionals are discussed in Martineau, Decker, and Bundred (2004).
29. This theme has been recently taken up by Sen (2006, Chapter 7), who states that "The preeminent practical challenges today include the possibility of making use of the remarkable benefits of economic connections, technological progress, and political opportunity in a way that pays adequate attention to the interests of the deprived and the underdog" (pp. 131–132).

30. As Derviş (2005) notes, "Without greater legitimacy at the supranational level, progress in solving global problems will be very difficult" (p. 3). Derviş makes very specific proposals for changing the governance structures of these institutions that deserve careful consideration.
31. This issue arises because Article 31(f) of TRIPS limits the use of pharmaceuticals produced under compulsory licenses to the *domestic* markets of producing countries.
32. Matthews (2006) notes that "It is perhaps surprising that no developing country has yet used the new mechanism to allow the importation of generic medicines following the issuance of a compulsory license in a developed country prior to patent expiry" (p. 130).
33. Further, detailed policy proposals are made in Goldin and Reinert (2007).
34. To simplify, these are roughly half in the form of producer support payments and half in the form of market price support, the latter effected through border measures. See Tokarick (2008).

References

Adams, R.H. Jr., and J. Page. 2005. "Do International Migration and Remittances Reduce Poverty in Developing Countries?" *World Development* 33(10): 1645–1669.

Adelman, I. 2001. "Fallacies in Development Theory and Their Implications for Policy." In *Frontiers of Development Economics: The Future in Perspective*, G.M. Meier and J.E. Stiglitz, eds. Oxford: Oxford University Press, pp. 103–134.

Bhattacharya, A., and S. Griffith-Jones. 2004. "The Search for a Stable and Equitable Global Financial System." In *Diversity in Development: Reconsidering the Washington Consensus*, J.J. Teunissen and A. Akkerman, eds. The Hague: Fondad, pp. 181–207.

Bhinda, N., S. Griffith-Jones, J. Leape, and M. Martin. 1999. *Private Capital Flows to Africa*. The Hague: Fondad.

Blomström, M., and A. Kokko. 2003. "Economics of Foreign Direct Investment Incentives." NBER Working Paper No. 9489. Cambridge, MA: National Bureau of Economic Research.

Blomström, M., and F. Sjöholm. 1999. "Technology Transfer and Spillovers: Does Local Participation with Multinationals Matter?" *European Economic Review* 43: 4–6, 915–923.

Boldrin, M., and D.K. Levine. 2002. "The Case against Intellectual Property." *American Economic Review* 92(2): 209–212.

———. 2004a. "The Case against Intellectual Monopoly." *International Economic Review* 45(2): 327–350.

———. 2004b. "Rent-seeking and Innovation." *Journal of Monetary Economics* 51(1): 127–160.

Boone, P. 1996. "Politics and the Effectiveness of Foreign Aid." *European Economic Review* 40(2): 289–329.

Borensztein, E., J. De Gregorio, and J.-W. Lee. 1998. "How Does Foreign Direct

Investment Affect Economic Growth?" *Journal of International Economics* 45(1): 115–135.
Bourguignon, F., and C. Morrisson. 2002. "Inequality among World Citizens: 1820–1992." *American Economic Review* 92(4): 727–744.
Bruton, H.J. 1998. "A Reconsideration of Import Substitution." *Journal of Economic Literature* 36(2): 903–936.
Burnside, C., and D. Dollar. 2000. "Aid, Policies, and Growth." *American Economic Review* 90(4): 847–868.
Caves, R.E. 1996. *Multinational Enterprise and Economic Analysis*. New York: Cambridge University Press.
Chen, S., and M. Ravallion. 2004. "How Have the World's Poorest Fared since the Early 1980s?" *World Bank Research Observer* 19(2): 141–170.
Claessens, S., D. Klingebiel, and S.L. Schmukler. 2002. "The Future of Stock Exchanges in Emerging Economies: Evolution and Prospects." *Brookings-Wharton Papers on Financial Services* 2002(1): 167–202.
Clemens, M., S. Radelet, and R. Bhavnani. 2004. "Counting Chickens When They Hatch: The Short-Term Effect of Aid on Growth." Working Paper No. 44. Washington, DC: Center for Global Development.
Collier, P., and D. Dollar. 2004. "Development Effectiveness: What Have We Learnt?" *Economic Journal* 114(496): F244–F271.
de Ferranti, D., G.E. Perry, D. Lederman, and W.F. Maloney. 2002. *From Natural Resources to the Knowledge Economy: Trade and Job Quality*. Washington, DC: World Bank.
Derviş, K. 2005. *A Better Globalization: Legitimacy, Governance, and Reform*. Washington, DC: Center for Global Development.
Dobson, W., and G.C. Hufbauer. 2001. *World Capital Markets: Challenge to the G-10*. Washington, DC: Institute for International Economics.
Dollar, D., and A. Kraay. 2004. "Trade, Growth, and Poverty." *Economic Journal* 114(493): 22–49.
Dunning, J.H. 1993. *Multinational Enterprises and the Global Economy*. Workingham, England: Addison-Wesley.
Easterly, W., R. Levine, and D. Roodman. 2004. "Aid, Policies, and Growth: Comment." *American Economic Review* 94(3): 774–780.
Eichengreen, B. 1999. *Towards a New Financial Architecture: A Practical Post-Asia Agenda*. Washington, DC: Institute for International Economics.
Finger, J.M. 2004. "Introduction and Overview." In *Poor People's Knowledge: Promoting Intellectual Property in Developing Countries*, J.M. Finger and P. Schuler, eds. Washington, DC: World Bank, pp. 1–36.
Goldin, I., and K.A. Reinert. 2007. *Globalization for Development*. Washington, DC: World Bank.
Goldin, I., H. Rogers, and N. Stern. 2002. "The Role and Effectiveness of Development Assistance: Lessons from World Bank Experience." In *A Case for Aid: Building a Consensus for Development Assistance*, James D. Wolfensohn, ed. Washington, DC: World Bank, pp. 25–183.
Hanson, J.A., P. Honohan, and G. Majnoni. 2003. "Globalization and National Financial Systems: Issues of Integration and Size." In *Globalization and National Finan-*

cial Systems, J.A. Hanson, P. Honohan, and G. Majnoni, eds. Washington, DC: World Bank, pp. 1–32.

Hatton, T.J., and J.G. Williamson. 1998. *The Age of Mass Migration: Causes and Economic Impact*. New York: Oxford University Press.

Hoekman, B.M., K.E. Maskus, and K. Saggi. 2005 "Transfer of Technology to Developing Countries: Unilateral and Multilateral Policy Options." *World Development* 33(10): 1587–1602.

James, H. 1996. *International Monetary Cooperation since Bretton Woods*. New York: Oxford University Press.

Kash, D.E., and W. Kingston. 2001. "Patents in a World of Complex Technologies." *Science and Public Policy* 28(1): 11–22.

Lanjouw, J. 2006. "A Patent Policy Proposal for Global Diseases." *Innovations* 1(1): 108–114.

Lanjouw, J.O., and I.M. Cockburn. 2001. "New Pills for Poor People? Empirical Evidence after GATT." *World Development* 29(2): 265–289.

Leach, J. 2004. *A Course in Public Economics*. Cambridge, MA: Cambridge University Press.

Levinson, M. 2006. *The Box*. Princeton, NJ: Princeton University Press.

Maddison, A. 2001. *The World Economy: A Millennial Perspective.* Paris: Organisation for Economic Co-operation and Development.

Manning, P. 2005. *Migration in World History*. New York: Routledge.

Martineau, T., K. Decker, and P. Bundred. 2004. "Brain Drain of Health Professionals: From Rhetoric to Responsible Action." *Health Policy* 70(1): 1–10.

Matthews, D. 2004. "WTO Decision on Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health: A Solution to the Access to Essential Medicines Problem?" *Journal of International Economic Law* 7(1): 73–107.

———. 2006. "From the August 30, 2003 WTO Decision to the December 6, 2006 Agreement on Amendments to TRIPS: Improving Access to Medicines in Developing Countries?" *Intellectual Property Quarterly* 10(2): 91–130.

Ocampo, J.A., and J. Martin. 2003. *Globalization and Development: A Latin American and Caribbean Perspective*. Palo Alto, CA: Stanford Social Sciences.

O'Rourke, K.H., and J.G. Williamson. 1999. *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy*. Cambridge, MA: MIT Press.

Owens, T., and J. Hoddinott. 1998. "Investing in Development or Investing in Relief: Quantifying the Poverty Tradeoffs Using Zimbabwe Household Panel Data." Working Paper Series No. WPS/99–4. Zimbabwe: Centre for the Study of African Economies.

Prasad, E., K. Rogoff, S.-J. Wei, and M.A. Kose. 2003. "Effects of Financial Globalization on Developing Countries: Some Empirical Evidence." Washington, DC: International Monetary Fund.

Ramos, J. 1998. "A Development Strategy Founded on Natural Resource-Based Production Clusters." *CEPAL Review* 66: 105–127.

Reinert, K.A. 2004. "Outcomes Assessment in Trade Policy Analysis: A Note on the Welfare Propositions of the 'Gains from Trade.'" *Journal of Economic Issues* 38(4): 1067–1073.

Reisen, H., and M. Soto. 2001. “Which Types of Capital Inflows Foster Developing-Country Growth?” *International Finance* 4(1): 1–14.

Rodrik, D., and A. Subramanian. 2008. “We Must Curb International Flows of Capital.” *Financial Times.* February 25. http://www.piie.com/publications/opeds/oped.cfm?ResearchID=893 (accessed November 10, 2009).

Rodríquez, F., and D. Rodrik. 2001. “Trade Policy and Economic Growth: A Skeptic’s Guide to the Cross-National Evidence.” In *Macroeconomics Annual 2000.* Vol. 15, B. Bernanke and K.S. Rogoff, eds. Cambridge, MA: MIT Press, pp. 261–338.

Rousseau, P.L., and P. Wachtel. 2000. “Equity Markets and Growth: Cross-Country Evidence on Timing and Outcomes, 1980–1995.” *Journal of Banking and Finance* 24(12): 1933–1957.

Sahai, S. 2003. “Indigenous Knowledge and Its Protection in India.” In *Trading in Knowledge: Development Perspectives on TRIPS, Trade and Sustainability*, C. Bellmann, G. Dutfield, and R. Meléndez-Ortiz, eds. London: Earthscan, pp. 166–174.

Sen, A. 2006. *Identity and Violence: The Illusion of Destiny*. New York: Norton.

Singh, A. 1999. “Should Africa Promote Stock Market Capitalism?” *Journal of International Development* 11(3): 343–365.

Steil, B. 2001. “Creating Securities Markets in Developing Countries: A New Approach for the Age of Automated Trading.” *International Finance* 4(2): 257–278.

Stiglitz, J.E. 2000. “Capital Market Liberalization, Economic Growth, and Instability.” *World Development* 28(6): 1075–1086.

te Velde, D.W. 2001. *Government Policies toward Inward Foreign Direct Investment in Developing Countries*. Paris: OECD Development Center.

te Velde, D.W., and O. Morrissey. 2003. “Do Workers in Africa Get a Wage Premium If Employed in Firms Owned by Foreigners?” *Journal of African Economies* 12(1): 41–73.

Tokarick, S. 2008. “Dispelling Some Misconceptions about Agricultural Trade Liberalization.” *Journal of Economic Perspectives* 22(1): 199–216.

Tsang, E.W.K., D.T. Nguyen, and M.K. Erramilli. 2004. “Knowledge Acquisition and Performance of International Joint Ventures in the Transition Economy of Vietnam.” *Journal of International Marketing* 12(2): 82–103.

United Nations Conference on Trade and Development. 2004. *The Least Developed Countries Report 2004*. New York: United Nations.

Watkins, Kevin, and Penny Fowler. 2002. *Rigged Rules and Double Standards: Trade, Globalization, and the Fight Against Poverty*. Oxford: Oxfam International.

Winters, L.A., N. McCulloch, and A. McKay. 2004. “Trade Liberalization and Poverty: The Evidence So Far.” *Journal of Economic Literature* 42(1): 72–115.

World Bank. 1998. *Assessing Aid: What Works, What Doesn’t, and Why*. Washington, DC: World Bank.

———. 2001. *Finance for Growth: Policy Choices in a Volatile World*. Washington, DC: World Bank.

———. 2002. *Globalization, Growth, and Poverty: Building an Inclusive World Economy*. Washington, DC: World Bank.

———. 2004. *Global Development Finance: Harnessing Cyclical Gains for Development*. Washington, DC: World Bank.

Zohir, S.C. 2001. “Social Impact of the Growth of Garment Industry in Bangladesh.” *Bangladesh Development Studies* 27(4): 41–80.