

# REVITALIZING THE POLICY FOR GLOBAL DEVELOPMENT

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## The aim of the report

- What do we know? (about global development)
- What should we do? (based on this knowledge)
  - "The scope of the analysis is relatively wide." (p. 15)
    - Understatement of the year :-)
- Absolutely the right approach!



## A complementary perspective on the question at hand

- Investments, trade, education, entrepreneurship, innovation, etc. are only *Proximate causes* of (economic) development
- Search for *fundamental factors*, such as geography, culture, religion, history, institutions
  - But note that some define institutions as including all “rules, beliefs, norms and organizations in society”
- Need for further specification of what is meant by “institutions” ...

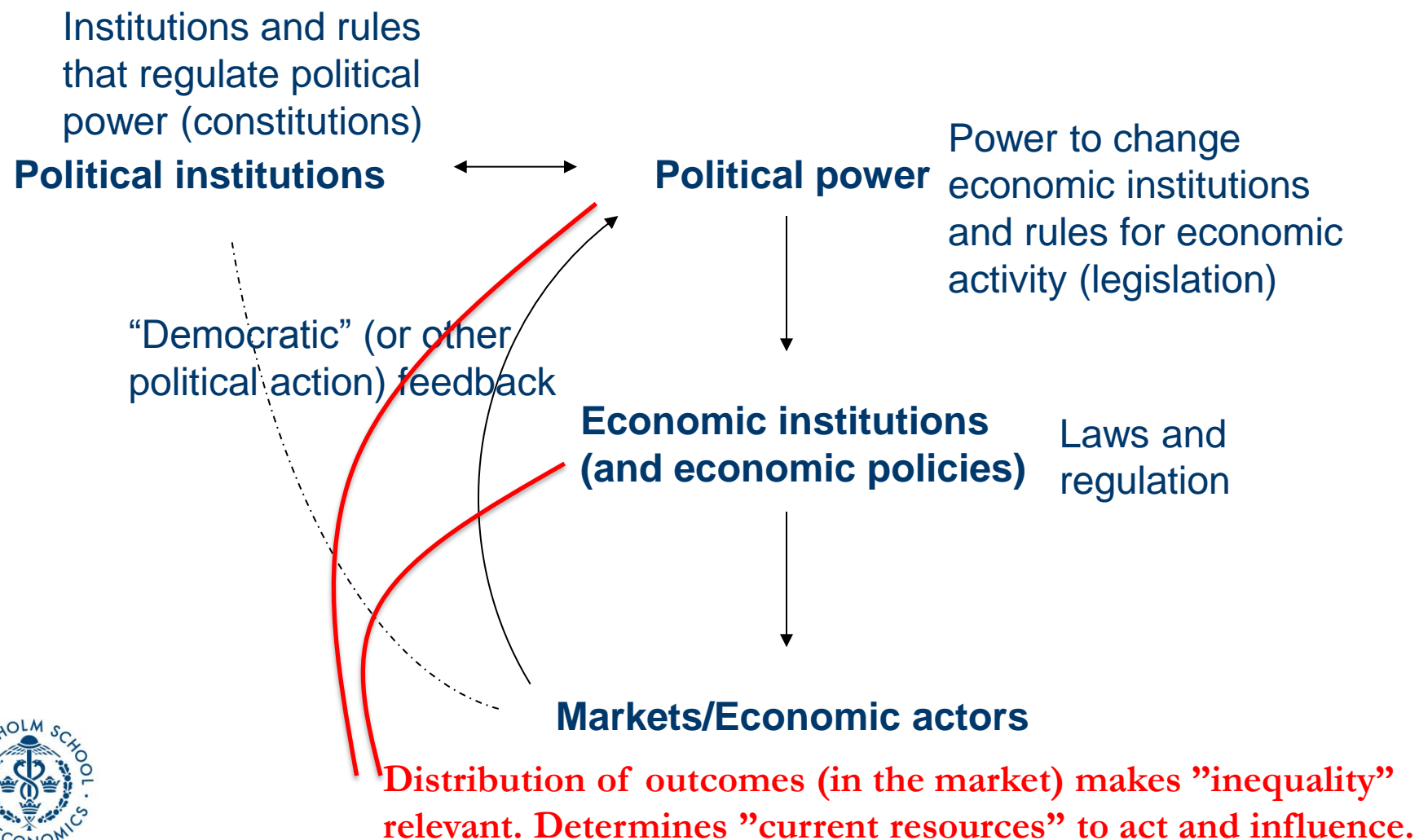


# Problems in the research on the role of institutions

- **The scope of the definition**
  - Institutions as “everything” vs. “formal” political and economic institutions
- **How to measure institutions**
  - Distinguish between “rules” and “choices” (an unconstrained autocrat can choose good policy, a (too) stringent regulatory system can prevent actions that would be good for development...)
- **The question of causality**
  - Historical persistence of institutions often used to get the causal impact of institutions on development today (e.g. types of colonial institutions set up based on factors relevant (only) centuries ago)



# Economic and political institutions



## What to do? Some basic lessons and conclusions

- Important reminders about the fact that even basic statistics are still problematic. (connects to points about helping with administrative capacity)
- Also important that growth continues to be important (but certainly not the only goal)
- Emphasis on contextual awareness in implementation (not to be confused with impossibility of systematic knowledge about what works).
- State capacity certainly important (but not always universally good).

Inequality concerns not only a question of “fairness”



## Most important points (in my view)

- The capacity for a state to tax is a fundamental part of developing functioning institutions. Increasingly mobile tax bases paired with low initial resources pose an enormous challenge
  - Often mostly a coordination problem! Suggestions about information exchange seem very important
  - But remember that this may require “benevolent” government
- Fundamental importance of education!
  - All other areas of policy benefit from better education and some are only possible if education level is sufficient



And many other important points as well but I'd be surprised if I have more time now...