

Report on IPS Seminar

Development Economic through the Decades: A Critical Look at 30 years of the World Development Report

By Dr Shahid Yusuf

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Dr Shahid Yusuf, Economic Adviser, Development Economics Research Group of the World Bank, spoke about his critical review of the World Development Report (WDR) series, the Bank's yearly publication about the economic, social and environmental state of the world. His study has been published as a book, *Development Economics Through the Decades*. The seminar was attended by industry experts, students, academics and public servants on 26 June 2009.

He started by saying that this "is the best and worst of times" of economics. The current economic crisis, while excruciating, has led to countries working together to restore confidence and revive growth in the global financial market. Another positive sign is the coming together of major economies powerhouses to tackle non-traditional issues, like climate change.

Dr Shahid observed that many economists have been at loggerheads on what might be the best and fastest solution to this crisis, including whether the adoption of a monetary policy or a fiscal policy, or both, would be the medicine the world needs as it rides through the meltdown. In fact, he added that no one is certain on what the possible impacts of the US stimulus policy will be, as only time will tell.

With this in mind, he hoped that the World Development Reports would be relevant in helping countries examine some of the key issues faced the world today. Launched in 1978, each report summed up the Bank's view of research findings on key topics such as agriculture, youth, public services, the role of the state, labour, infrastructure, health, the environment, and poverty. Each report also summarised successful and also offered policy prescriptions. Since 2000, the focus of the reports has been on the microeconomics of development, such as growth and poverty.

Dr Shahid clarified that industrialisation is important to the growth of the state. Growth will alleviate poverty even though the country's per capita income can be modest or low. Growth can be stimulated through utilising foreign aid to raise investment, strengthening public institutions (market, legal, and governance), and having in place clear and concise innovation policies. He noted that in this crisis, some of the export-driven economies intend to improve their business climate by shifting from manufacturing to services. Though this strategy may appear logical, Dr Shahid said, it may not necessarily be an effective or a long-term solution.

He also touched on some of the policy challenges faced by Asian banks, and suggested that they:

- (a) contribute to the policy advice on how to restore high growth in Asian countries in a harsher global environment that could raise Incremental Capital Output Ratio, which measures how inefficiently capital is used;

- (b) advise on strategies for further developing manufacturing industries and tradable services;
- (c) offer practical solutions for reducing unemployment and raising the productivity of the large cohort of the illiterate and ill-educated in low income countries, and
- (d) suggest how countries can pursue urbanisation and improve the design of cities to enhance urbanisation economies and take account of water shortages, rising sea level and increasing energy costs.

His presentation was followed by a question and answer session moderated by IPS Director Ong Keng Yong.

Report by Lee Yoong Yoong, IPS Research Fellow

