

Economic Reforms, Poverty and Inequality in China and India

By

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I

In various writings over the years Amartya Sen has shown his acute interest in comparative performance of China and India, the two largest countries of the world, both with poor, agrarian economies and with rich, ancient civilizations. While high economic growth in both countries in the last decades has attracted a lot of attention, particularly in the international financial press, Sen's interest has usually been more in issues relating to poverty, inequality, and gender inequities in general, and health and education matters in particular, in both countries. At various times his thoughts on the better achievements of China in literacy and life expectation than India, on the era of market reform in China coinciding with the decline of basic public health services there, democratic Kerala's better demographic performance (significantly linked with female education) achieving more than China's coercive one-child policy, the 'missing women' in both China and India attributed to gender discrimination, China doing much better than India in

relieving 'endemic hunger' while democracy and freer media in India helping in averting catastrophes like the Great Famine in China in the early sixties--- these have all become headlines in the development folklore. Even in his piece(Sen 2004)on the cultural and intellectual links between China and India in the first millennium, he does not forget to emphasize the interest of Chinese visitors to ancient India in the public health care system and the tradition of democratic dialogue and public discussion that Buddhism carried to China. In this short essay I'll follow in this comparative tradition and focus on the poverty and inequality impact of economic reform in the two countries and their interaction in the political process.

II

In the last quarter century a great deal of reforms have taken place in both China and India, in market liberalization and macro-economic policy, trade and industrial policy, tax and financial policy, privatization and deregulation. In China the reform in agriculture with de-collectivization and shift to the household responsibility system around 1979, along with a raise in agricultural procurement prices, led to a large growth in the agricultural sector. According to the estimate of Lin (1992), agricultural output grew at 7.1% per year on an average during 1979-84 compared to 2.7% during 1970-78. As much of the extreme poverty was in the rural sector, this led to a large fall in poverty. If one takes the admittedly

crude¹ World Bank poverty line of \$1 a day per capita (at 1993 purchasing power parity), the proportion of people below that poverty line in China fell from 64% in 1981 to 29% in 1987 (see Table 1).

Table 1: Poverty measures for \$1 a day per capita (in 1993 PPP)

(a) Percentage of population

Country	1981	1984	1987	1990	1993	1996	1999	2002	2004
China	63.76	41.02	28.64	32.98	28.36	17.37	17.77	13.79	9.90
India	54.31	49.50	45.88	44.29	42.13	40.61	38.76	37.49	35.78

(b) Number of people (in millions)

Country	1981	1984	1987	1990	1993	1996	1999	2002	2004
China	633.66	425.27	310.43	374.33	334.21	211.44	222.78	176.61	128.36
India	381.67	371.08	366.45	376.21	378.93	385.30	387.27	393.16	386.37

Source: Chen and Ravallion (2007)

This is a dramatic decline in a short span of years. A part of this decline may not be real, as there may be some overestimate of poverty in 1981 as the official price deflator used for this estimation may not have been adequate for rural areas before 1985. But a large part of this decline may be genuine, and is not just due to the large rise in agricultural growth rate in this short period, but may also be due to the fact that the de-collectivization was associated with what may have been one of history's most egalitarian land redistribution

¹ \$1 per capita per day is an arbitrary cut-off line with very little link to any estimate of the basic needs of the poor. Also, the purchasing power parity calculations are not sensitive to the differential subsistence needs of the poor in different country and cultural context. We still use this here because we do not have access to any alternative time series of poverty data where we can compare across countries. We should, however, note that the qualitative results about change over time stated in the text will not change even if one uses the national estimates using local poverty lines in China and India.

exercises, with every rural family getting an equal piece of land (subject to differences in family size and regional average), and thus having a floor to the household income for the poorest people.

In the non-agricultural sector the new contract system with firms and the decentralization which allowed the local governments and collectives to be 'residual claimants' of the enterprises they ran (township and village enterprises) and to compete with one another led to a phenomenal advance, particularly in rural industrialization. Foreign business was allowed to operate freely in the Special Economic Zones. The governance in the state-owned enterprises was restructured and corporatized and made more profit-oriented; in the initial period they faced more competition from collective and other enterprises, and more recently, many were privatized. As Table 2 shows, total factor productivity in industry grew at an annual average of 3.1% in 1978-93 and at double that rate in 1993-04.

Table 2. Sources of Growth by Major Sector, 1978-2004

Annual percentage rate of change

Period	Output	Employment	Output per Worker	Contribution of:				
				Physical Capital	Land	Education	Factor Productivity	
Agriculture								
1978-04	China	4.6	0.3	4.3	2.3	0.0	0.2	1.8
	India	2.5	1.1	1.4	0.4	-0.1	0.3	0.8
1978-93	China	5.2	0.9	4.3	2.5	-0.2	0.2	1.8
	India	2.7	1.4	1.3	0.2	-0.1	0.2	1.0
1993-04	China	3.7	-0.6	4.3	2.1	0.2	0.1	1.8
	India	2.2	0.7	1.5	0.7	-0.1	0.3	0.5
Industry								
1978-04	China	10.0	3.1	7.0	2.2		0.2	4.4
	India	5.9	3.4	2.5	1.5		0.3	0.6
1978-93	China	9.3	4.4	4.9	1.5		0.2	3.1
	India	5.4	3.3	2.1	1.4		0.4	0.3
1993-04	China	11.0	1.2	9.8	3.2		0.2	6.2
	India	6.7	3.6	3.1	1.7		0.3	1.1
Services								
1978-04	China	10.7	5.8	4.9	2.7		0.2	1.9
	India	7.2	3.8	3.5	0.6		0.4	2.4
1978-93	China	11.3	6.5	4.7	1.8		0.2	2.7
	India	5.9	3.8	2.1	0.3		0.4	1.4
1993-04	China	9.8	4.7	5.1	3.9		0.2	0.9
	India	9.1	3.7	5.4	1.1		0.4	3.9

Source: Bosworth and Collins (2007)

In India the reforms of the 1990's seem to have been associated with a more vigorous and competitive corporate sector, but most of the economy is outside the corporate sector. In Table 2 one notes a rise in the total factor productivity in industry, from 0.3% in 1978-93 to 1.1% in 1993-04. The more significant rise in India is in the service sector; total factor productivity in that sector grew from an annual average of 1.4% in 1978-93 to 3.9% in 1993-04. The Indian growth process has been described as a service-sector-led growth, whereas in China it has been more manufacturing-centered (note, however, in Table 2 that in the first period 1978-93 even the service sector total factor productivity grew faster in China than India). One

immediately thinks of the widely acclaimed performance of Indian software and other IT-enabled services. But it seems that in the economy's service sector growth in the period 1993-04 not all of the growth can be explained by finance, business services or telecommunication where reform may have made a difference.

Table 3 shows that a large part of the growth in the service sector, at a rate higher than that in manufacturing, was in the traditional or "unorganized sector" services, which even in the last decade formed nearly two-thirds of the service sector output. These are provided by tiny enterprises, often below the policy radar, unlikely to have been directly affected substantially by the regulatory or foreign trade policy reforms. It is a matter of some dispute how much of the growth in traditional services (mostly non-traded) is explained by the rise in service demand in the rest of the economy (including increased outsourcing by the manufacturing firms which formerly used to supply those services in-house), and how much is a statistical artifact, as the way the output is measured in these traditional services has been rather shaky all along. So the link between economic reforms and growth in the whole economy is not yet clearly established, even though it is very likely that the reduction in controls and regulations and the increased leeway of market discipline and forces of competition may have unleashed entrepreneurial energies in both the formal and informal sectors. (I'd also like to speculate that the concurrent social changes in India, in the political rise of hitherto subordinate social groups after many centuries of social

oppression, may also have played some role in this unleashing of energies).

Table 3: Growth in Components of Service Sector (percentages)

Period	Modern Services					Traditonal Services				Services less Dwellings
	Total	Communi- cations	Finance	Business Services	Education & Medical	Total	Trade	Transportation	Other Services	
Share of Total Output in Services										
1960-61	19	2	6	1	10	81	40	14	27	100
1980-81	22	3	7	1	11	78	37	16	24	100
1993-94	31	3	14	2	12	69	34	14	21	100
1999-00	35	6	14	4	12	65	33	12	19	100
2004-05	40	11	12	5	11	60	33	11	16	100
Annual Percentage Rate of Change										
1960-80	5.7	6.9	5.9	3.4	5.5	4.6	4.5	5.6	4.3	4.9
1980-93	9.0	7.1	12.3	9.8	6.6	5.4	5.6	5.4	4.9	6.3
1993-99	12.6	20.3	9.3	28.0	10.6	8.9	9.8	7.5	8.6	10.1
1999-04	10.5	23.8	5.7	11.4	7.1	6.5	7.9	5.7	4.3	8.0
Percentage Contribution to Total Services Growth										
1960-80	1.1	0.1	0.3	0.0	0.5	3.8	1.8	0.8	1.2	4.9
1980-93	2.0	0.2	0.9	0.1	0.7	4.2	2.1	0.9	1.2	6.3
1993-99	3.9	0.7	1.3	0.5	1.2	6.2	3.3	1.1	1.8	10.1
1999-04	3.7	1.3	0.8	0.5	0.8	4.2	2.6	0.7	0.8	8.0

source: authors' calculations from CSO (2006) and prior years.

Source: Bosworth, Collins, and Virmani (2007)

III

It is often claimed, both in the media and the academia, that it was global integration that brought down the extreme poverty that had afflicted the two countries over many decades. While expansion of exports of labor-

intensive manufactures lifted many people out of poverty in China in the last decade (not in India, where exports are still mainly skill- and capital-intensive), the more important reason for the dramatic decline of poverty over the last three decades may actually lie elsewhere, as we have already indicated above. Table 1 suggests that two-thirds of the total decline in the numbers of poor people (below the poverty line of \$1 a day per capita) in China between 1981 and 2004 already happened by the middle 80's, before the big strides in foreign trade and investment in China in the 90's and later. Much of the extreme poverty was concentrated in rural areas, and, as we have indicated above, its large decline in the first half of the 80's is perhaps mainly a result of the spurt in agricultural growth following de-collectivization, land reform, and upward readjustment of farm procurement prices -- these are mostly internal factors that had very little to do with global integration². Ravallion and Chen (2007) conclude from their analysis that "the score-card for trade reform is blank: we find no evidence that greater external openness was poverty reducing". (To settle these issues one, of course, needs causal models which are yet to be tested in the literature).

² In the 1980's there was some trade expansion, for example the export to GDP ratio went up from about 7% to 12% in 1989. But labor-intensive manufactures were still not very important in Chinese export; in the first half of the 80's minerals and other natural resource intensive products formed a substantial fraction of exports. In 1985 for example the largest single export was petroleum. The mean tariff rate declined only slightly in the 80's, from 31.9% in 1980-83 to 29.2% in 1988-90. In any case the proportion of the labor force in manufacturing in this period was small, so the large poverty decline in the first half of the 80's is unlikely to be attributable to manufacturing exports. It is also worth noting that the poverty percentage after the sharp drop between 1981 and 1987, went up (or remained the same) between the years 1987 and 1993. This indicates that by 1987 the agricultural spurt has worked itself out and the effect of labor-intensive manufactures was still weak. It was only after 1993 that the poverty percentage again started declining and labor-intensive exports may have played a significant role in it, although even in this period one should not minimize the effect of largely domestic factors like easier migration from rural areas and higher agricultural procurement prices.

In India N.S.S. data suggest that the rate of decline in poverty has, if anything, somewhat slowed down in 1993-05, the period of intensive opening of the economy, compared to the 70's and 80's. It may not be unconnected with the fact that agricultural output (and total factor productivity) grew at a slower rate in the last decade compared to the earlier decade (see Table 2). This may be largely on account of the decline in public investment in rural infrastructure (like irrigation, roads, or prevention of soil erosion), which has little to do with globalization. There has also been a decline in the rate of growth of real wages in the period 1993-05 compared to the previous decade 1983-93. Besides, we should recognize that private consumer expenditure data of the N.S.S. that are used in poverty estimates do not capture the declining environmental resources (like forests, fisheries, grazing lands, and water both for drinking and irrigation) on which the daily lives and livelihoods of the poor depend.

Global integration does not seem to have helped some of the other non-income indicators like those of health. The National Family Health Survey (NFHS) data show that some of India's health indicators are worse than those of Bangladesh (in maternal mortality, infant mortality, child immunization rates, etc.), and even those of sub-Saharan Africa (in the percentage of under-weight children), in spite of much higher growth rates in India than in those other countries. Percentage of underweight children (below age 3) is 46 in India, and about 30% on average in sub-Saharan Africa (8% in China). Take the case of Gujarat, one of the richest, high-growth, and high-reform states in

India: the percentage of underweight children, which was already high (higher than sub-Saharan Africa), went up between NFHS 2 (1998-99) and NFHS 3 (2005-6).

Some disaggregated studies³ across districts in India have also found trade liberalization slowing down the decline in rural poverty. Such results may indicate the difficulty of displaced farmers and workers in adjusting to new activities and sectors on account of various constraints (for example, in getting credit or information or infrastructural facilities like power and roads, large incidence of school dropouts, and labor market rigidities), even when new opportunities are opened up by globalization. This is in line with textbooks in international economics where it is emphasized that product market liberalization need not be an improvement when there are severe distortions in input markets.

The Indian pace of poverty reduction has been less than China's, not just because growth has been faster in China, but also because the same 1% growth rate reduces (or is associated with reduction in) poverty in India by much less. The so-called growth elasticity of poverty reduction is much higher in China than in India; this may have something with the differential inequalities in wealth in the two countries (particularly, land and education). Contrary to common perception, these inequalities are much higher in India than in China. The Gini coefficient of land distribution in rural India was 0.74 in 2003; the

³ For example, Topalova (forthcoming). In unpublished comment T.N. Srinivasan has raised some doubts about the methods in this study.

corresponding figure in China was 0.49 in 2002⁴. India's educational inequality is one of the worst in the world: according to a Table in the World Development Report 2006, published by the World Bank, the Gini coefficient of the distribution of adult schooling years in the population, a crude measure of educational inequality, was 0.56 in India in 1998/2000, which is not just higher than 0.37 in China in 2000, but even higher than almost all Latin American countries (Brazil: 0.39).

Comparing across states in India, as Datt and Ravallion (2002) point out, the growth elasticity poverty reduction depends on initial distribution of land and human capital. Purfield (2006) indicates that in the period 1977-2001 this elasticity was quite low in high-growth states like Maharashtra and Karnataka, and high in states like Kerala and West Bengal. Similarly, comparing across states in China, Ravallion and Chen (2007) find that growth had more poverty-reducing impact in initially less unequal provinces.

⁴ This, of course, does not correct for land quality. Land quality is partly taken into account in its valuation when land is included in the Assets and Liabilities Survey. According to this Survey by N.S.S. the Gini coefficient of asset distribution was 0.63 in 2002 in rural India, while the corresponding figure for China was 0.39 in the same year. For the Chinese estimate, see Li, Wei and Jing (2005). The Indian estimate is by the author. The land Gini estimate for China cited in the text is from Khan (2004)

IV

The link between economic reform and inequality is also not very clear. At least two major problems beset the analyst in this matter. One is that so many other changes have taken place in the last quarter century of reform, it is difficult to disentangle the effect of reform from that of other on-going changes (like technological progress--often skill-biased--, demographic changes or macro-economic policies). Secondly, in both countries there are reasons to suspect that economic inequality (or its rise) is underestimated because of a widely-noted fact facing household surveys (in many countries) of large (and increasing) non-response by the rich households. It is also difficult to compare China and India, as most of the inequality data that are cited in this context usually are for income inequality for China and consumption expenditure inequality for India (as Indian N.S.S. does not collect income data). These latter two disparate sources do show a rise in expenditure inequality in both countries in the last decade or so. But, as we have suggested, this rise may be an under-estimate, and there is very little analysis as yet to show that this rise is primarily due to economic reform.

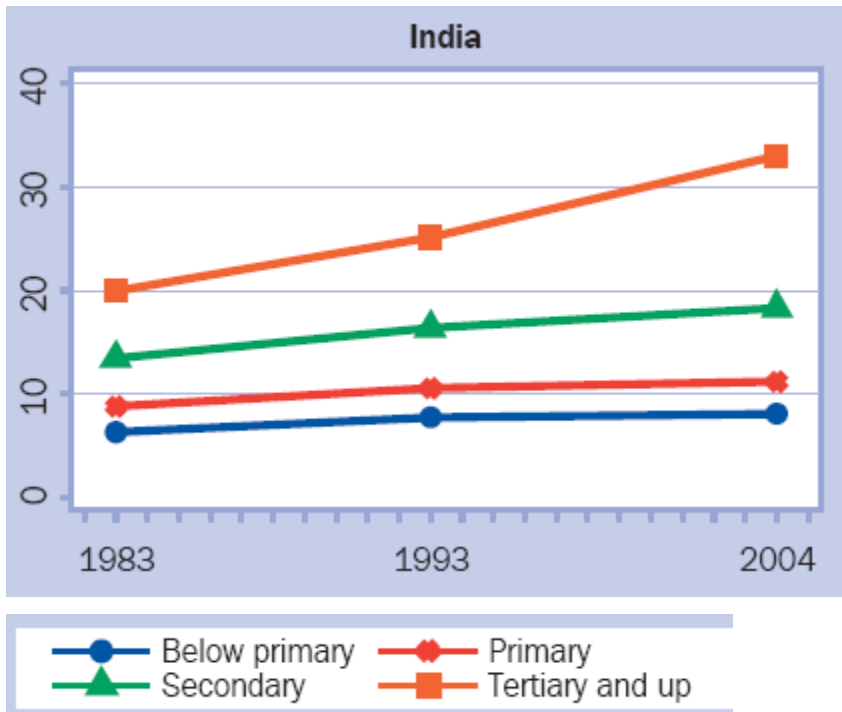
Even if economic reform were to be causally linked with higher growth, the link between growth and inequality is not always clear. In China, as Chaudhuri and Ravallion (2006) show, the periods of rapid growth did not necessarily bring more rapid increases in income inequality; the periods of falling inequality (1981-85 and 1995-98) had among the highest growth rates in average household income. In both countries, periods of high

agricultural growth may have reduced overall inequality, and the recent decline in agricultural growth rates may have had some influence in the rising inequality.

For the urban sector Figure 1 gives some data on change in the real wage rate for urban fulltime employees in the last two decades in India by level of education, and shows a faster rate of rise in the wage rate for those with higher education. According to the estimates by the Asian Development Bank (2007), the Gini coefficient of average real wages of urban fulltime employees in India went up from 0.38 in 1983 to 0.47 in 2004. This increase in wage inequality is consistent with the skill-intensity of Indian economic growth (that reforms may have played some role in) and the looming talent shortage that the corporate sector is complaining about.

In urban China also the rate of return to college (and above) education compared to, say, high school education has more than doubled since the early 90's. In both China and India it is again difficult to separate the effect here of skill-biased technological progress from that of economic reform.

Figure 1: Average Weekly Real Wage by Level of Education, Urban Full-time Employees (2002 US\$ prices)



Source: Asian Development Bank (2007)

Since reform has been arguably more 'urban-biased' in India and (at least since the 90's) in China, one may look at the urban-rural disparity. The ratio of urban to rural mean income (or consumption) is higher in China than India, and it is rising in India, but the rise in disparity in China is attenuated, once one takes into account the rural-urban differences in cost of living⁵. Figure 2 decomposes national

⁵ Another statistical problem is that the rural-urban definitions of households in China are somewhat uncertain, because (a) of increasing reclassification of rural areas as urban in official data, and (b) the

inequality in China into inequality within each of the rural and urban sectors and inequality between the rural and urban sectors. It seems both intra-urban and urban-rural disparities contribute more to recent rises in income inequality.

In China the urban-rural disparity in social services has increased in the post-reform period, with a near-collapse of the rural social services, whereas in urban areas social services, though weaker than before, still serve the majority of the resident (and working) urban population. An example from health care: in 1985 the total number of technical medical personnel per 1000 people was somewhat lower in city than in county; 20 years later, it was more than twice in city than in county.

With unfunded mandates from above (particularly in social services and pensions) and inadequate (and often regressive) central transfers and revenue-sharing, local public finances in China have been in bad shape, leading local officials sometimes in the recent past to impose arbitrary fees and 'extra-budgetary' revenues, particularly in inland agriculture-dominant areas⁶. In India, of course, delivery of public education and health has been dismal for many decades, as Amartya Sen has tirelessly pointed out for many years. It is not much of an exaggeration to say that

location of households by residence is different from that by registration (in view of the restrictions of the *hukou* system).

⁶ The Chinese leadership at the top is now taking some remedial steps (e.g. rural tax reform in the last few years, a supplementary funding plan to offer free 9-year compulsory education in rural areas, and a partially subsidized medical insurance scheme launched to cover many rural areas). How effective and adequate this will be in actual implementation remains to be seen. A 2005 survey at the Centre for Chinese Agricultural Policy indicates that while the tax burden on farmers fell, downsizing of the local bureaucracy and the promised supplementary upper-level transfers have been inadequate, while the centralization of tax reform has reduced the incentives of local governments to serve social needs.

China is now moving toward catching up with India in the matter of appalling public services in the rural sector. The urban population in China also gained disproportionately from the privatization and marketization of housing since mid-1990's.

The decline of rural health services in China (along with one-child policy) may have had some effect on gender equity in life chances. Male to female ratio in children (below 6 years) is very high at about 1.19 in China (1.08 in India). But one should add that female literacy and labour participation rates (above 70% in urban China, 24% in urban India) being substantially higher in China, women in China have had the opportunity to contribute to economic growth much more than in India.

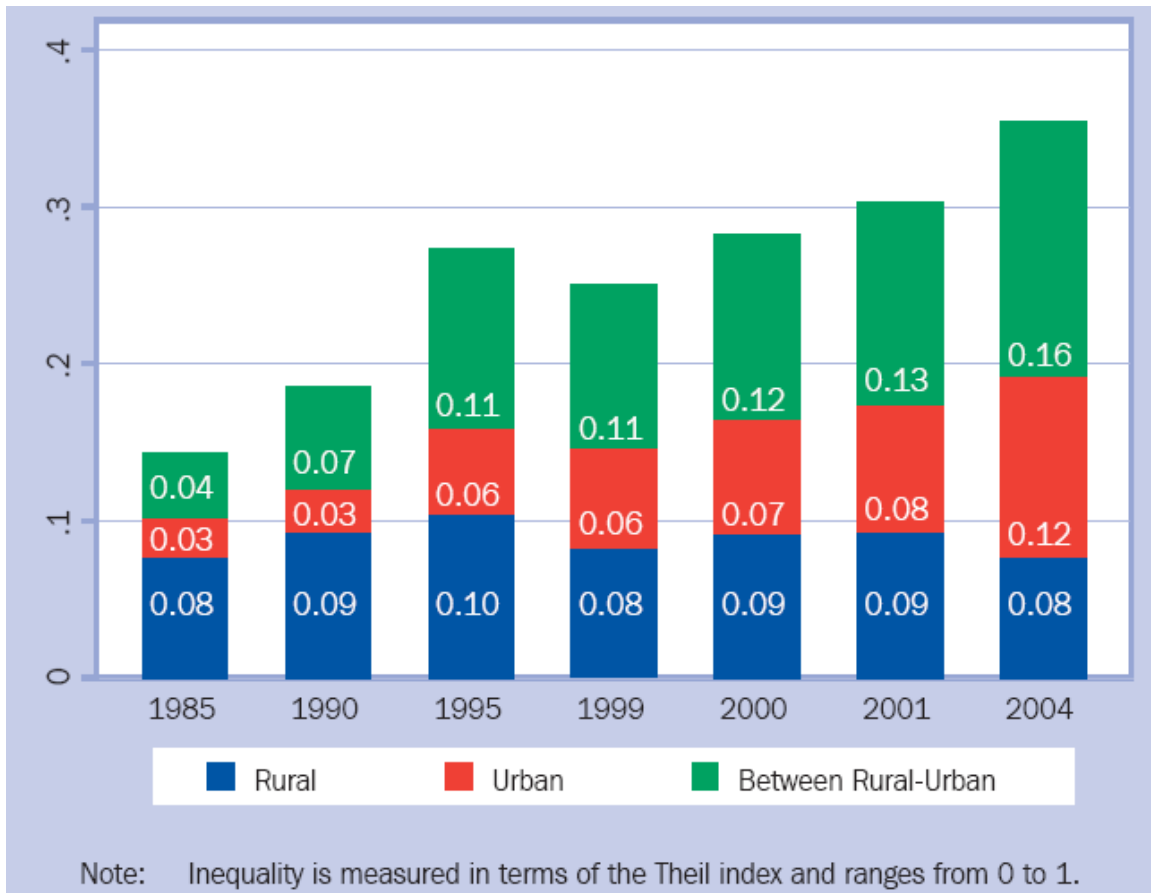
Regional disparity in income (or consumption) is also more in China than in India. But over the last two decades China's backward regions have grown at rates almost comparable to its advanced regions, and regional earning disparities may be narrowing (though not yet per capita income disparities). Initiatives like the Western Development Program supported large infrastructure building into the remote regions; and the mobility-restricting effects of the *hukou* system may be weakening. In any case Benjamin, Brandt, Giles, and Wang (2005) have shown that the contribution of inter-provincial inequality in total inequality in China is smaller than is usually thought.

In India the poorer states (largely concentrated in central and eastern regions) have grown much more slowly than richer states (mostly in the west and the south), so relative divergence has increased. In general reform has

advanced more smoothly in the west and the south of India, and better reform implementation in a state may have gone hand-in-hand with better initial infrastructure. Of course, with the removal of industrial licensing, which ostensibly used to give some weight to regional backwardness, private capital will move more to states where policies are business-friendly and infrastructure is better.

In China provinces with more global exposure and higher growth did not have the larger rise in inequality. As Benjamin, Brandt, Giles and Wang (2005), while the Gini coefficient of income in coastal China went up from 0.35 in 1991 to 0.39 in 2000, the corresponding rise in the interior provinces was from 0.39 to 0.48. In the coastal provinces a more rapid job growth in the non-state sector helped reduce the urban-rural income differential there.

Figure 2: Decomposition of Theil Measure of National Inequality in China 1985-2004



Source: Asian Development Bank 2007

While reforms per se may have thus a rather ambiguous effect on inequality, let us end with a general comment on (a) the link between initial inequality and the reform process and (b) the link between rising inequality and social discontent that in turn affects the sustainability of the reforms. I believe that in the Indian situation of

extreme social heterogeneity and income inequality in a contentious democratic framework, what happens to inequality is important for the success of the reform process, particularly because it makes the social and political environment quite conflict-ridden, and it is difficult in this environment to build consensus and organize collective action towards long-term reform and cooperative problem-solving efforts. When groups don't trust one another in the sharing of costs and benefits of long-run reform, there is the inevitable tendency to go for the "bird-in-hand" short-run subsidies and government handouts instead. This is in line with a large theoretical and empirical literature on the relation between inequality and collective action-- see, for example, Baland (2006) and Bardhan (2005).

I believe this is not unconnected with the fact that reforms outside the corporate sector in India have been rather halting and hesitant, particularly in the matter of reforms in the factor markets (land, labor, public inputs like electricity, etc.), which directly affect the lives and livelihoods of large numbers of people. In the CSDS National Election Survey data for 2004, two-thirds of the sample of about 23000 respondents who had any opinion on the subject say that the reforms "benefit only the rich" or none at all. A strong majority of respondents say they are opposed to privatization and a reduction in the size of government. See Suri (2004). A similar survey by CSDS with a smaller sample in 2007 gets similar results.

This is, of course, partly a failure of Indian reformers and politicians to explain the benefits of reforms to

common people But what financial columnists call anti-reform populism is also partly a product of the manifold inequalities and conflicts of Indian society. The severe educational inequality (which, as we have mentioned before, is much worse in India than in China and most Latin American countries), for example, makes it harder for many workers to absorb shocks in the industrial labor market, since education and training could provide some means of flexibility in adapting to market changes.

In China the disruptions and hardships of restructuring under a more intense process of global integration were rendered somewhat tolerable in the 80's and 90's by the fact that China has had some kind of a minimum rural safety net, largely made possible by an egalitarian distribution of land cultivation rights that followed the de-collectivization of 1979. In most parts of India for the poor there is no similar rural safety net. So the resistance to the competitive process that market reform entails is that much stiffer in India. This is in line with a phenomenon all over the world: resistance to globalization is stronger in general in countries where social safety nets (particularly unemployment benefits and portable health insurance) are weaker (compare Scandinavian countries and US in this respect).

Even though initial inequality may have been much lower in China, over time the sharply rising inequality can be a major source of social and political discontent. Some have already linked this with the large numbers of incidents of unrest in different parts of the country, reported even in Chinese official police records. One should not, however,

exaggerate the extent of inequality-induced discontent in the rural and remote areas of China. Data from a 2004 national representative survey in China, carried out by Martin Whyte, a Harvard sociologist, and his team show that the presumed disadvantaged people in the rural or remote areas are not particularly upset by the rising inequality.

This may be because of the familiar "tunnel effect" in the inequality literature attributed to Albert Hirschman: when you see other people prospering you are hopeful that your chance will come soon (you are more hopeful when in a tunnel the blocked traffic in your next lane starts moving); this is particularly so with the relaxation of restrictions on mobility from villages and improvement in roads and transportation. In any case even in rural areas the average per capita household income increased at an annual rate of about 5 per cent in 1991-2004. Even across expenditure groups, the bottom quintile in China experienced a significant 3.4% growth rate in mean per capita expenditure between 1993 and 2004 (the corresponding figure for the Indian bottom quintile group is only 0.85%). The Chinese leaders have also succeeded in deflecting much of the wrath towards corrupt local officials and in localizing and containing the rural unrest. In any case the rural people are often more upset about forcible land acquisitions and toxic pollution than about relative inequality.

Of course, both China and India have done much better in the last quarter century both in economic growth and poverty reduction than in the last two hundred years. But in this paper we have tried mainly to dispel some myths

that have now grown on the links between economic reforms, particularly those connected with global integration, and economic growth and improvement in the lives of the poor people in these two countries. We emphasize the various ambiguities and complications in these links and also briefly comment on the tortuous relation between inequality, conflicts and the reform process itself.

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