Planning for Human Development—Experiences in Asia

Santosh Mehrotra¹, Sarthi Acharya²*

¹Jawahar Lal Nehru University, New Delhi, India
²Institute of Human Development, New Delhi, India
Email: *sarthiacharya@gmail.com

Abstract

The Human Development paradigm states that for workers to create value and enjoy the fruits of their labour, they have to be adequately accomplished through better education, skills, adequate nutrition and health, among other factors. It makes a case for investing in people as a precondition for progress. Recent literature on development also notes that economic growth cannot be sustained without people’s inclusion. The essence of a dynamic HD framework, therefore, is that human capital, inclusion and measures to improve people’s empowerment are paramount. Much of Asia was/is labour surplus; hence, making optimal use of the labour in the growth process until the time when labour from the low productivity sectors (read: agrarian sectors) is redeployed elsewhere would be most desirable. This follows from the standard economic theories and is not new. However, the process does not automatically happen; it has to be planned and carefully executed. This paper puts forth a case for HD-based planning: a process where human capital and the economic sectors are brought into an integrated framework. In practical terms, this implies that three factors are addressed to achieve HD: agrarian reforms, industrial policy and human capital. The paper attempts to assess how select Asian countries have progressed on these counts in the recent past. It identifies the raison d’être of the high achievers’ success and the low achievers’ lack of it in the (implicit or explicit) planning process. Finally, it presents a simple model of how an HD-planning framework might look like.

Keywords

Human Development, Planning, Agrarian Reforms, Industrial Policy, Human Capital
1. Introduction

Human development has been stated as the process of broadening people’s freedoms—freedom being defined as enlarged choices and opportunities of the populace—and improving their well-being. Human development is about the real freedom ordinary people have to decide who to be, what to do, and how to live. The human development concept was first developed by economist Mahbub ul Haq.

Despite Human Development (HD) being recognised as a holistic paradigm for at least a quarter century, many still perceive HD to be merely a welfare-enhancing notion and that rapid economic growth would provide the necessary resources for the social sectors for creating an educated healthy and equal society. Implicit in this perception is that economic growth and people’s wellbeing are quite independent. The HD paradigm, which we argue for, however, suggests that economic development must stem from people at large creating value and enjoying the distribution gains from development. This is also called “inclusive” development.

The HD paradigm further states that for workers to create value they have to be adequately nourished, educated and healthy (must be able to perform at least the “basic functionings” in Sen’s sense [1]), making a case for investing in people as a precondition for the economy to accelerate. Recent literature on development also notes that economic growth cannot be sustained without people’s inclusion [2] [3] [4] [5]—for a fuller discussion, see [6]. The essence of the argument is that human capital and other measures to improve people’s empowerment are paramount for economic growth1.

Finally, the HD paradigm should go further than just to invest in health and education. Much of Asia was/is labour surplus; hence, a policy implication of the HD paradigm would be making optimal use of the labour in the growth process until the time when labour from the low productivity sectors (read: agrarian sectors) is redeployed elsewhere. This does not automatically happen; it has to be planned and carefully executed.

This paper puts forward a case for HD-based planning: a process where human capital (education, skills, health and similar human empowerment issues—HC) and the economic sectors are brought into an integrated framework. More specifically, it attempts to:

a) Present a conceptual framework for HD planning;

b) Analyse how some countries in Asia have forged ahead on the development scale while others have lagged;

c) Identify the roots of the high achievers’ success and the low achievers’ lack of it in the (implicit or explicit) planning process;

d) Present a simple model of how an HD-planning framework might look like.

1Some might argue that democratic processes require inclusion here. However, since there is no consensus on the definition of a democratic process, it is not discussed here.
Section 2 presents the conceptual framework, which would enable the reader to understand the interactions between goals/ends of development: economic growth, human capital formation, and income poverty reduction (and employment generation). Section 3 examines select country experiences to examine the extent to which these goals have been achieved within this conceptual framework. The country cases analyse why certain countries have succeeded in achieving these three goals, others less so, and in countries in the third category there are failures on multiple fronts which have prevented synergy between the three goals. Finally, Section 4 puts forth the planning principles that underlay the success or lack of it in countries achieve higher HD.

2. A Conceptual Framework

Economic growth, human capital formation, and poverty reduction (the last meaning income-generation among the larger populace through the employment route) form the three ends of development (Figure 1). The capabilities approach (associated with the work of AK Sen and Martha Nussbaum) tends to remain somewhat ambiguous concerning its approach to macroeconomic strategy, policy and planning. What we have attempted to do elsewhere is that to draw implications for macro-economic strategy and policy based on the capabilities approach ([6] [7]), and this paper draws upon it. In the past, this ambiguity was a reason why much rhetoric on HD could be grafted on to the policies advocated by multilateral development agencies (e.g. the World Bank espousing human capital-based approaches and calling them HD).

Mainstream economics (typically, the Washington Consensus—free trade, minimal governmental intervention in markets, etc.) is insufficient to permit developing an understanding of the intricacies and complexities concerning outcomes of a development strategy. Its theoretical foundations—rooted in

![Figure 1. The Economic Growth-HD-Employment/Poverty-reduction Link.](image-url)
utilitarianism—has had limited success in unbundling the family or intra-household/entity allocation of resources ([8] [9]). Its theoretical and philosophical basis has also been found to be weak ([12] [3] [4] [8]). Despite this, mainstream economics had been at the core of much of public policy throughout the 1980s and 1990s and still is; and it has had mixed results, as seen from the experiences of the Latin American and Sub-Saharan developing economies of Africa.

Most east Asian economies, in contrast, performed very differently through this period, as they adopted policies not necessarily consistent with the said “mainstream” economics, or prescriptions emanating from its adherents [10]. Therefore, there is need for an alternative framework for development, which is founded on human development and the capability approach. The rest of this section briefly spells out this alternative framework2.

In this alternative framework, the existence of two forms of synergies is posited. One exists between interventions in health, nutrition, family planning, water and sanitation and basic education; and the other between interventions that form the basis of income growth, reduction of income-poverty, and improved health and educational status. With these two synergies as foundations, it is proposed to put forth an alternative approach to integrate economic and social policies. As a theoretical construct, the notion of dual synergies forms a conceptual framework for understanding a given situation in terms of human development outcomes (which we partially base our argument on, by examining the differential experience across different groups of Asian countries). It is, at the same time, a framework for drawing policy implications3.

We propose income-poverty reduction as a goal rather than reduction of inequality because not all reductions in inequality would reduce poverty, particularly if the reductions in inequality are among those in the richest deciles of the population. In this context, Ravallion defines pro-poor growth as any increase in GDP that reduces poverty [12]. Such a definition is too broad: it implies that most real-world instances of growth are pro-poor, even if poverty decreases only slightly and income distribution worsens, or inequality reduces but leaves the incomes of the poorest unchanged. Kakwani et al. define pro-poor growth to be one which benefits the poor proportionally more than the non-poor [13]. It might be more appropriate to define pro-poor growth to be one, which in addition to reducing poverty, also decreases inequality, though this too does not reflect fully “pro-poor growth” as it falls short of providing answers to various plausible combinations of growth, poverty reduction and inequality changes.

In this paper, we suggest that the state has a critical role to play in ensuring all three desirable outcomes, namely, economic growth, income-poverty reduction and access to basic services. The policy implications that derive from the said two synergies are quite distinct from the policies proposed by the international financial institutions, but also elaborate on the practical policy implications of

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2For a recognition of this failing, see [11].
3See [7] [14] and [15], for applications of the framework to developing countries.
capability approach. We elaborate on alternative policies consistent with the alternative framework, which derive from the need to incorporate a social dimension in the formulation of economic policies.

Our notion of synergies is that interventions to promote expansion of functionings, reduction of poverty, and economic growth, strengthen each other through various feedback loops. This leads to several important, and often overlooked, inter-related effects in terms of policy. The impact of a policy (e.g. redistribution to directly reduce poverty) on another variable (say economic growth) crucially depends on the level of a third variable (e.g. health and educational status). In other words, economic growth will be faster and more sustainable if (income) poverty is reduced simultaneously through direct and indirect policies targeted at the income-poor, and the health and educational status of the population is higher. A widely recognised example, and one often mentioned even by mainstream economists, is that economic growth will be more successful in reducing income-poverty when human capital is more equitably distributed. We stress that this is only one of the interactions among different interventions.

We have argued elsewhere that GNP per capita growth is determined by the aggregate level of functionings, the pace of poverty reduction, sustainable macro-economic balances, as well as productivity increases through technical/structural change [7]. Investment would generate growth by utilising additional factors of production and/or by using existing productive factors more efficiently/productively. Thus, GNP per capita growth is not chosen a priori by governments, but is the result of public policies and private decisions. Public investment, especially in infrastructure, often crowd-in private investment. Consequently, public policies need to take into account the effects on private decisions. Contrary to what many traditional economists think, the engine of growth (its main determinant) is not macroeconomic policy but technological change. Of course, stable prices and low interest rates contribute to a favourable context in which firms would want to work and invest. However, this does not mean that macroeconomic stability per se results in economic growth. Nor does this imply that a privately-led boom would not result in imbalances. Simply stated, economic growth is usually irregular, and hence macro-economic imbalances must be contained for growth to remain stable.

As with economic growth, the primary income distribution is not in the control of governments but emerges from market results and the relative bargaining power between owners of the factors of production. The distribution of income, in turn, affects the incidence of income-poverty. Nevertheless, governments, both through regulation and overall management of macroeconomic policies can influence income distribution4. They can also use fiscal policy to affect the after-tax income streams (the secondary income distribution), correcting the

4The reference here is to the instruments of fiscal policies (tax, expenditure and borrowing), monetary policies (management of the demand for, and supply of, money by the central bank through interest and exchange rate policies) and trade policies—with the objective of maintaining sustainable fiscal and current account balances in the economy.
excesses of the market and reducing income-poverty. Moreover, the distribution of assets can be altered (e.g. land-reform, titling, distribution of shares, etc.), which in turn would affect income distribution. Moreover, the incidence of poverty would be directly impacted if the number of non-agricultural jobs are growing at least at the rate at which youth are joining the labour force. Finally, a way in which governments can also influence distribution is through the provision of services and transfers (the tertiary income distribution), which builds and enhances functionings and provides a modicum of security (of work and income, during working life and during old age). This requires separate treatment, as it affects what we call the second synergy.

Finally, the functionings expansion: this is the better-known synergy. Education, health, sanitation and safe water, which enable people to enjoy the functionings and make life worth living, have myriad interaction effects among them. Obviously, additional resources (at the household level and nationally) through economic growth help. However, as many country experiences show, “un-aimed opulence” is not sufficient [16]. Public action in terms of social policy is fundamental in enhancing functionings. Appropriate fiscal policy is the strongest card in the suite of policies available to impact the level of functionings (or human capital).

Empirically, there is evidence supporting the view synthesised in the two synergies. Not all countries that have made great strides in health and education achieved substantial and long-lasting reductions in income-poverty, partly as a result of slow economic growth. Indeed, the relationship between economic growth, income-poverty, and enhancement of functionings is complex. A simple framework to describe these linkages and some empirical evidence is presented below.

Let us take two of the variables at a time. Starting with economic growth and income-poverty, four possibilities exist:

- Economic growth is accompanied by income-poverty reduction (e.g. Republic of Korea during the 1960s-1990s);
- Economic growth is not accompanied by income-poverty reduction (if income distribution deteriorates significantly, e.g. Argentina during the 1990s);
- Stagnation or negative economic growth is accompanied by income-poverty reduction (in the presence of re-distributive policies, Nicaragua in 1980s);
- Stagnation or negative economic growth is not accompanied by income-poverty reduction (a more common occurrence, e.g. Indonesia in late 1990s).

There are also four potential outcomes of interactions between economic growth and functionings enhancement:

- Economic growth and enhancement of functionings happen at the same time (e.g. Malaysia during the 1970s onwards, except the crash of 1997);
- Economic growth occurs but there is no advance on capability enhancement (economic growth with little spill-over on human capital formation, Brazil during the 1970s);
- Stagnation or low economic growth but significant capability enhancement happens (when public policies allow expansion of effective and inexpensive social services, e.g. Sri Lanka in the 1980 until almost recently; Kerala (India) since 1970 until now);

- Stagnation or low economic growth and there is limited advance on capability enhancement (many sub-Saharan countries, characterised by retrogression in health outcomes partly due to HIV/AIDS).

One thing is clear: there is no need to wait for economic growth for achieving improvements in enhancement of functionings. Also, although it is true that enhancement of functionings (especially education) is conducive to economic growth, its presence does not always lead to economic growth. Moreover, economic growth can take place even if there is not much enhancement of functionings, primarily if the income growth occurs in only a few sectors or certain enclaves, but such growth is unlikely to be sustained.

Finally, the relationship between income-poverty and the level of functionings could take any of the following forms:

- Enhancement of functionings and income-poverty reduction go hand-in-hand (as individuals have more capabilities or human capital, and their capacity to earn higher income and lift themselves above the poverty line increases, e.g. China in the decades since the 1980s);

- Enhancement of functionings occurs but there is limited reduction in income-poverty (unequal asset distribution and/or jobless growth, prevents income-poverty reduction, e.g. Botswana in the 1980s until 2010s, or Brazil in the 1990s);

- Enhancement of functionings does not take place but income-poverty is reduced (when income or asset re-distribution policies are implemented, but we found no empirical evidence for this theoretical possibility);

- Enhancement of functionings does not take place and income-poverty is not reduced (the most common case, especially in sub Saharan Africa).

We can now move from the bivariate analysis by incorporating all the three variables. An empirical exercise can help to underscore these interactions. Despite paucity of data on income poverty, there are close to 50 countries for which data were available on the incidence of income-poverty (based on national poverty lines) at the beginning of the 1990s. Also, the average annual GDP growth rates for the period 1990 and 2000 are available. The countries were classified according to their initial incidence of income poverty as: high (a head count ratio of over 50% of the population), medium (between 50 and 30 per cent), and low (less than 30 per cent). Also, they were grouped in terms of their levels of U5MR: high (over 170 per 1,000 live births), medium (between 170 and 70), and low (less than 70).

With these classifications, nine groups of countries could be formed [7]. The findings tend to confirm our earlier theoretical framework of dual synergies.

- Few countries combined low U5MR and high income-poverty or high U5MR and low income-poverty.

- Countries with high U5MR experienced negative growth in per capita in-
come.

- Even countries with medium U5MR but with high income-poverty experienced negative economic growth, suggesting that poverty and low levels of human capital are actually inimical to economic growth.

- Countries falling in the other combinations (medium or low levels of both U5MR and income-poverty) experienced positive growth.

- The rates of growth in GDP were the highest when the initial levels of income-poverty and U5MR were the lowest.

A fundamental point about synergy between the three types of interventions is that in strategies where one is absent, the effect of interventions to achieve the other goals is less than what it would otherwise be. Policies which focus largely on economic growth without much regard for income-poverty reduction or enhancement of functionings face unequal income distribution or lower levels of functionings (than otherwise possible), which dampen economic prospects in the long run. This policy of “un-aimed opulence”, as Sen calls this strategy, represents a failure of a development plan in converting the benefits of output growth into enhancement of functionings or poverty reduction [17].

Policies that focus only on enhancement of functionings but ignore economic growth and income-poverty reduction (enhancement of functionings), will lead to unsustainable outcomes. A “growth-mediated” strategy, following Sen’s terminology, could be translated into enhancement of functionings through supportive social policy (transfers) which eventually could lead to poverty reduction (enhancement of functionings). A growth-mediated strategy may also help people expand their functionings as higher income may enable people’s command over goods and services, if growth leads to more jobs.

Policies that focus mainly on direct income-poverty reduction (e.g. asset redistribution, food-for-work programmes, cash transfers, or social security arrangements) and enhancement of functionings and ignore macro-economic balances or interventions promoting technological change that are critical to economic growth (i.e. a ”support-led” strategy according to Sen) run the risk of both economic and social stagnation or reversal, especially if the economy suffers from an exogenous shock.

This paper strongly argues that the state has a central role in ensuring all three desirable ends or outcomes: economic growth, income-poverty reduction and improved health and education outcomes. It argues that to achieve these ends, appropriate means have to be adopted. The analysis further suggests that in the contemporary Asian context, these translate into at least three broad propositions for the policy-makers.

- The first relates to land and agrarian reforms for generating larger marketed surpluses over consumption, release of surplus labour from it for deployment in more productive sectors, all resulting in wellbeing of (rural) populations.

- The second relates to the need for an industrial policy that would guide in-
vestments and promote technologies in areas of maximum private and social returns, which would increase value added rapidly and create broad-based employment.

- The third relates to increased investments in sectors that would help raise human capital and human development and would prepare people for gainful employment in modern sectors.

The rest of this paper moves beyond the rhetoric of planning for HD, to further defining what the concrete measures are that are needed.

3. Country Experiences—Agrarian Reforms, Industrial Policy and Human Capital Formation

A few Asian countries have pursued policies that (implicitly) rely on these three pillars and have succeeded in forging ahead; some others have progressed though they have not succeeded to the same extent as the first group; while a third group consists of countries that have faltered and have remained in the low HD/low GDP bracket. It would be useful to examine empirically, the success and failure of countries on the three pillars (vertices in Figure 1). This section examines the experiences of select countries of East and South Asia.

Table 1 provides the country rankings of select Asian countries studied or referred to in this section. Countries in the light green shade have relatively high

<table>
<thead>
<tr>
<th>Country</th>
<th>Global HDI Rank (2014)</th>
<th>GDP Per Capita (2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Korea</td>
<td>17 (Global category: very high)</td>
<td>27,195</td>
</tr>
<tr>
<td>Taiwan</td>
<td>21 (Global category: very high)</td>
<td>22,288</td>
</tr>
<tr>
<td>Malaysia</td>
<td>62 (Global category: high)</td>
<td>11,307</td>
</tr>
<tr>
<td>China</td>
<td>90 (Global category: high)</td>
<td>7990</td>
</tr>
<tr>
<td>Thailand</td>
<td>93 (Global category: high)</td>
<td>5742</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>73 (Global category: high)</td>
<td>3389</td>
</tr>
<tr>
<td>Indonesia</td>
<td>110 (Global category: medium)</td>
<td>3362</td>
</tr>
<tr>
<td>Philippines</td>
<td>115 (Global category: medium)</td>
<td>2858</td>
</tr>
<tr>
<td>Vietnam</td>
<td>116 (Global category: medium)</td>
<td>2088</td>
</tr>
<tr>
<td>India</td>
<td>130 (Global category: medium)</td>
<td>1617</td>
</tr>
<tr>
<td>Pakistan</td>
<td>147 (Global category: low)</td>
<td>1450</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>142 (Global category: medium)</td>
<td>1217</td>
</tr>
<tr>
<td>Nepal</td>
<td>145 (Global category: low)</td>
<td>751</td>
</tr>
</tbody>
</table>

Sources: [18]; for Taiwan, see [19]; for GDP, IMF and World Bank databases.

6The countries have been chosen to represent East and Southeast Asia. Not all countries are listed, but the list is fairly representative. Atypical countries are excluded: Japan has been excluded as it has been a developed country since a long time, and countries like Cambodia and Laos are excluded as they are very new entrants to development.
GDP per capita and high Human Development Index (HDI), in the yellow shade countries generally have medium GDP and HDI, while in red both GDP and HDI are low when seen from a comparative perspective in this group of select countries.

The said synergies and the associated policy instruments that would help achieve the three outcomes in Figure 1, namely, agrarian reforms and agricultural growth; industrial policy; and investments in human capital; for select Asian countries.

3.1. Agrarian Reforms

Agrarian reforms in Asia are not just a means to achieve larger agricultural production; they are meant to transform pre-industrial methods of production, marketing, etc.—which also entails a great deal of “rent-seeking” at various stages—into a competitive market-oriented activity. Agrarian reforms are not a single activity but a family of flexible policy measures, and involve many stakeholders.

Agrarian/land reforms are expected to result in optimal use of land and other resources to reap high crop and non-crop yields and distribute the gains in an equitable manner. Over time as land productivity increases, people’s incomes rise and the consequent demand for non-food goods gives rise to non-farm activities. Workers withdraw from (low labour productivity) agriculture to be re-deployed in high productivity non-farm activities. Agrarian/land reform per se, however, is not an answer to all development problems—they are a necessary condition, and once set in motion, other policy instruments also could ensure synergy between the three pillars of Figure 1. Our analysis of high-achieving Asian countries suggests that the most common instruments of land/agrarian reforms are: a) surplus land distribution to the tillers and landless, b) ceilings on land holdings, c) tenancy control, d) public/private investment in land, e) market linkages, and the like. However, one size does not fit all: the exact composition of instruments would depend upon the initial conditions. If the right instruments are used, and links with the other pillars established, success could be ensured. Central to the process is also a non-partisan government committed to change and development7.

Most South- Southeast- and East Asian countries until the 1940s were predominantly agrarian economies, though East Asia, especially Korea, had sown the seeds of capitalist development between 1886-1914, partly under Japanese influence [20]. This has given East Asia a head-start over the countries in South and Southeast Asia. Nevertheless, the role of the state in furthering land/agrarian reforms there since the 1950s, cannot be overemphasised.

In South Korea for instance, between 1945 and 1950, the government confiscated plots larger than about three hectares and redistributed the surplus among the landless. Lands earlier held by the Japanese colonial government and companies/

7A useful reference is [30].
individuals were also redistributed. A new class of family proprietor-farmers was created, who inducted modern agricultural technologies and harnessed water for irrigation (>50% of the total cultivated area) to reap paddy yields of 5 - 6 tonnes per hectare. The ceiling was raised upwards later, but well after the initial distribution, *i.e.* when economies of scale in farming could be reaped and when the other pillars, especially human capital formation, began to show results. The country industrialised through the classic “agriculture-to-industry route”. The agrarian reforms created asset equality across farmers and laid the basis for more equitable growth later. Promoting the other two pillars helped in reaping the gains in a synergetic manner as labour moved out of agriculture to the other, more productive non-farm sectors. The proportion of workers to total engaged in farming in Korea as per the latest count is 5.7% (in 2015), down from >45% in the 1970s (see [21] [22] [23] [24] [25]). The main drivers of change were: non-partisan commitment of government to development, all round agrarian reforms, investment in irrigation and new technologies, and growth in the other pillars.

By contrast, Thailand and India, the two peasant economies, until the mid/late 20th century had subsistence-oriented agriculture wherein there were land inequalities, high tenancy, lack of title deeds, encroachment on state lands, and poor land law implementation.

Thailand passed a land reforms bill in 1954 to address absentee landlordism, excessive tenancy, growing landlessness, squatting on state lands and increasing indebtedness, but had to soon abandon it as the law was termed “too radical” by the then military government. In the face of rising peasant unrest in the early 1970s, in 1975 the government enacted another Land Law, which prevails until today. This imposes a limit on land holdings [50 to 100 Rai (one Rai = 0.16 ha), depending upon the region], tries to control absentee landlordism and tenancy, and attempts clearing-up illegal squatting on government land, among other measures, though all with limited success owing to quick changes in the government ([26] [27] [28] [29]). The main instruments that actually worked here were expansion of irrigation, and application of new technologies in agriculture, which have enabled Thailand to become among the largest rice exporters in the

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9Taiwan also had similar experience. See for instance, [31]. Malaysia is yet another successful country in this context. Government policies since 1960 have also aimed at distributing surplus lands to the Bumiputras (local Malay populations, as against Chinese and Indian origin populations), who it was claimed were poorer and rural dwellers, and consolidated fragmented lands ([32] [33]). Since the land-labour ratio was always large, there was no tension in undertaking reform measures, since land was in abundance. The different measures resulted in an increase in farm productivity and farmers’ income level. Being historically a plantation economy (77% of cropped area under plantations), it required a different form of agrarian reform through higher commercialisation and modernisation. Promoting the other two pillars also helped in reaping the gains in a synergetic manner such that there is also better distribution of income. Malaysia now holds a global monopoly in palm oil production. The proportion of workers in agriculture was about 48% in 1970, but fell to about 7% in 2015 (data sources: [34], and ILO databases).

9Indonesia could also be clubbed in this category, whose agrarian reforms have been less than successful owing to its demography and partly due to institutional factors. However, the other pillars have helped it perform better than India though not as well as Thailand.
world (average yield > 3.5 tonnes/ha). While there is no denying that large parts of north-eastern Thailand are still arid and that there has been extensive out-migration of farmers from there towards larger cities in the south in search of livelihoods, the fact remains that the hold of feudal and pre-industrial elements on land has ebbed. Also, a rapid reduction in population growth (TFR fell from 3.5+ in the 1970s to 1.5 in 2015) helped ease pressure on land and permitted several components of agrarian reforms to succeed. Industrial growth enabled the proportion of workers in agriculture to fall to 32.2% in 2014 compared to >75% in the 1970s (data: World Bank sources). The main drivers of change were: implementation of land reform, investments in technologies/irrigation, and progress in other pillars.

The Indian Land Reforms Law of 1954-1956 also required abolition of land rent collectors; tenancy regulation; ceiling on landholdings (10 - 25 hectares, depending upon the province—land is a provincial matter); and consolidation of disparate, fragmented landholdings. The agrarian structure, however, was/is complicated, intertwined with social (caste) and political processes (electoral) factors, and the laws were thus not sufficiently implemented to bring about real change. While the intermediaries were overtly done away with, land ceilings were/are camouflaged by registering lands under the names of kith and kin or extended caste relations. Since these very people controlled/control the politics, there has been/is little political will to push the reforms process. The situation was worsened by the demographic pressure in the absence of progress on the other pillars, as a result small plots became smaller. The result is that since the turn of the century 83% of all cultivators till plots of land that are less than 2 ha. in size, which makes them unproductive, subsistence, small and marginal farmers.

Infusion of modern technologies and irrigation in select areas has resulted in production to increase more than four-fold between 1950s and 2015 and the average paddy yield is about 2.3 tonnes per hectare while of wheat it is 3.1 tonnes per hectare (2011-2012 data). Yet, there is large-scale agrarian distress ([35][36]). The proportion of workers engaged in agriculture, which was about 72% in 1971, came down to only about 48% in 2013 ([37]-[42]).

To sum up: Countries that have had successful agrarian/land reforms have achieved high levels of land productivity, withdrawn workers in agriculture, and reduced poverty rates. Progress on the other pillars has been critical in sustaining agrarian reforms. The vice versa also holds true. Finally, the role of governments in effective planning and judicious implementation (or lack of it) has been central to the high achievements (or low achievements). A non-partisan government committed to change and development helps the cause enormously.

3.2. Industrial Policy

The oft-stated proposition, found in the Washington Consensus, is that gov-
ernments are mainly required to provide a favourable macroeconomic environment (low inflation, devalued currency, labour flexibility, neutral trade regimes, etc.). The rest would be the responsibility of the markets and private sector. This, however, might not hold for most developing countries. There are at least four reasons why the said consensus might not work at least in Asia:

First: The asymmetry in information availability across different entities is huge, resulting in some entities having access to information becoming “crony-capitalists”; this would lead to deteriorating economic governance and flight of capital.

Second: The maturity required among national entrepreneurs for advancing industrialisation without any assistance is extremely limited. Most entrepreneurial entities are risk-averse family-owned traders, new to modern enterprise development and have a short time horizon.

Third, the scale of the national industrial houses is small when compared with large, multinational companies.

Fourth, the technological prowess and resource availability with the national private sector are very limited.

There is no developing country anywhere in the world that has followed the Washington Consensus path and succeeded in either economic growth or meeting human development targets in the recent decades.

In the earlier stages of industrialisation in East Asian countries (Japan, Taiwan and South Korea), governments there worked in close cooperation with the private sector to further the industrialisation process. All these countries, in the first phase (the 1950s) enforced import substitution strategies to promote local entrepreneurship/skills and save on foreign exchange. Industrial policies aimed at developing light industry products—mainly labour intensive—were in conjunction with the comparative advantage stemming from surplus labour and low wages at that time. Agrarian reforms and investments in human capital (the two other pillars) facilitated the process ([43] [44]). Says a Vietnamese economist’s group: “The governments of Park Chung Hee (Korea), Deng Xiao Ping (China), Lee Kuan Yew (Singapore), Chiang Kai Shek (Taiwan) and Mahatir (Malaysia) were more interventionist than others in the sense that they tried to enhance or supplement the market mechanism by a powerful state hand, fiscal and financial measures, public investment, protectionism, discriminatory preferences, etc. with the ultimate aim of bolstering indigenous industries”.

The second stage of industrialisation in South Korea (also Taiwan) began in the 1970s after the comparative advantage in low-skill labour intensive products

\[\text{In Malaysia as well, the government supported industry through varied instruments: human capital investments (6\% - 7\% of the GDP—amongst the highest in the world), technology transfer (e.g. the Proton car), and palm oil production and markets. Supportive industrial policy is thus essential in the initial stages of industrialisation. Malaysia followed these policies in the 1980s through promoting export promotion and import substitution. Key industries developed were mining, rubber, tin, iron ore, oil palm, timber, light manufacturing, tourism and travel, high-end services, and government-linked corporations (example, Sime Derby (Bhd) and Petronas).}

\[\text{Source: [45].}\]
began to wane. There was a shift towards steel, petrochemicals, machinery, automotive industry, shipbuilding, and electronics, for which governments enacted laws to promote specific industries \[46\]13. Key policy instruments were: fiscal and monetary policy, guiding/directing investments and providing attractive/low interest concessional credit, state-financed infrastructure, low taxes, duty-free import of machinery and materials, protective import duties, and permitting monopolies in several industries to achieve scale ([31] [45] [47] [48]). Additionally, effort was made to aggressively promote national ownership of capital [49]. Finally, there was strong emphasis on Research and Development (R&D), with strong private sector partnership and all the three countries climbed up the value chain through technological deepening14,15. The contribution of industry to the GDP in 2016 in in South Korea was about 39%16.

Some key features of high-HD Asian countries in industrialisation:

1) Policies changed with shifts in markets and innovations in science and technology. Thus, earlier the (incremental) capital-output ratio (ICOR) was low, but it increased after inclusion of more people in the mainstream (Table 2).

2) Government-industry partnership assumed a central place (without descending into crony-ism).

3) National industrialists were promoted for maximum retention of value

**Table 2.** Incremental Capital-Output Ratios (ICOR), Select Countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>ICOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1990-1996</td>
<td>3.75</td>
</tr>
<tr>
<td></td>
<td>1961-1970</td>
<td>3.20</td>
</tr>
<tr>
<td>South Korea</td>
<td>1981-1990</td>
<td>3.20</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1981-1990</td>
<td>2.70</td>
</tr>
<tr>
<td>India</td>
<td>2001-2007</td>
<td>4.14</td>
</tr>
<tr>
<td></td>
<td>2014-</td>
<td>6.50</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2001-2007</td>
<td>4.80</td>
</tr>
<tr>
<td>Philippines</td>
<td>2001-2007</td>
<td>4.09</td>
</tr>
<tr>
<td>Thailand</td>
<td>1983-1990</td>
<td>3.83</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2001-2007</td>
<td>4.86</td>
</tr>
<tr>
<td>Nepal</td>
<td>2001-2007</td>
<td>5.73</td>
</tr>
</tbody>
</table>

Sources: [51]; for India, see [52].


14The government established and expanded vocational schools and training outlets, and created government-funded research institutions to conduct R & D activities (see, [46] for South Korea). For data on R & D expenses see [53].

15Strategies could be varied: In Malaysia, ASEAN integration, and invitation to foreign capital for boosting industrialisation (especially through technological deepening) were also key instruments.

16Data source: [54].
4) There was emphasis on R&D, to the extent of 4+% of the GDP (South Korea) and 3+% (Taiwan) was spent on it—among the highest/higher side in the world. The private sector contributed more than the government did on R&D.

5) Export orientation ensured product quality, competitive costs and current account surplus. Firms were supported but were required to deliver on exports; there were carrots, but also the stick was used.

6) In both South Korea and Taiwan it is incredibly easy to do business, attracting large volumes of capital from indigenous and external sources (Korea rank: 6; Taiwan: 11).

Seen from an HD perspective, the (flexible) industrial policy—a part of planning for industrialisation—created conditions for creating more non-farm jobs and improving people’s skills, each of which promoted inclusion and rapid reduction in poverty in Korea, Taiwan and Malaysia. Developments in the other pillars also created synergies for rapid development.

The middle-industrialised nations (the 2nd group) have not had strong state-interventionist policies as the first have had, but there is definitive state intervention. Thailand, for example, has had a flexible industrial policy, changing from one decade or period to another suiting the time, but with no abrupt jerks. In the decades of 1960s to 1980s, its policies aimed towards promoting investments and exports for which EPZs were set up, tax exemptions were offered on all investments, tourism got a boost, and foreign capital was provided incentives to come in. The Japanese-Thai Eastern Seaboard Development for port development, petrochemical industries, fertilisers and integrated steel complexes, is a typical example. In the new millennium, the list of priority industries has evolved to cover automobile and its parts; agroindustry; fashion, such as jewellery, leather goods, silk; high value-added services, such as healthcare, spa, long-stay tourism; electronics; and energy/renewable energy.

While the policies do not discriminate between foreign and Thai companies, they prefer industries and companies that create high domestic value-added (i.e., creating more jobs). The main instruments of the current industrial strategy are, human resource development (HRD), and supporting industry promotion with a particular emphasis on small and medium enterprise (SME) promotion.

For supporting industrial promotion, Thailand has involved the private sector in decision-making and implementation to great depths. There is close and continuous cooperation between the government and the private business community in drawing up policies and implementing them. The content and targets of the Master Plan (which each economic ministry prepares) are proposed by the business community; and in implementation, revision and problem-solving, the private sector again has opportunities to voice opinions. There is, therefore, no dispute among various stakeholders once the master plan is agreed upon. Another important initiative of the Thai government is the establishment of industry-specific government committees for individual industries. They meet frequently
and the meetings are actively attended by relevant officials and the heads of major companies. In these committees, current situations are evaluated, new issues are identified, and special subcommittees are set up to draft required solutions.

The country has achieved some degree of inclusion and poverty reduction through its progress in industrialisation and progress on the human capital pillar. The contribution of industry to the GDP is about 38% in Thailand (estimate for 2015; source: Index Mundi) [55]. It, however, lags behind East Asia in technological prowess and national capital (partly for want of state support), a reason why this and similar cases are not in the first category17.

Contrast this with say India, which has been well-known for planning and regulation of economic affairs, but interestingly, the industrial policies of 1950s and all their versions until the 1980s were more regulatory than promotional. The policies also pitted public against the private sector rather than establish complementarity: the public sector was identified as “socialist”, while the private sector as capitalist, in common parlance ([56] [57]). Since the 1980s gradually and since 1990s more rigorously, the Indian policy has been closely aligned to the World Bank/IMF dispensation, with the public sector being gradually privatised. The policy structure through the decades could be stated in the following points:

1) The governments through the 1950s to 1980s—under a dominant public sector, manned by (inefficient) bureaucracies—invested heavily in heavy/capital intensive industries. This effort ignored the notions of comparative advantage, factor endowments or demand patterns. The ICOR was and is very high (Table 2). Very few modern industrial jobs have been created and people outside agriculture subsist in low-paying informal sector (Table 3).

2) A highly regulated private sector in terms of what to produce and in what quantities, where, and so on, was permitted to exist. They produced mainly for the local markets. This sector, in the absence of a clear promotional policy, never

Table 3. Non-farm Informal Employment.

<table>
<thead>
<tr>
<th>Country</th>
<th>% Workers in Informal Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>China (2010, 6 cities)</td>
<td>32.99</td>
</tr>
<tr>
<td>Thailand (2010)</td>
<td>42.30</td>
</tr>
<tr>
<td>Vietnam (2009)</td>
<td>68.19</td>
</tr>
<tr>
<td>Philippines (2008)</td>
<td>70.06</td>
</tr>
<tr>
<td>Indonesia (2009)</td>
<td>72.53</td>
</tr>
<tr>
<td>India (2009-2010)</td>
<td>83.59</td>
</tr>
</tbody>
</table>

Source: [60].

17It is worth noting that foreign capital can be useful in many ways but it cannot be the bulwark of industrialisation since multinational companies primarily work towards maximising their global profits and not any specific country’s needs.
blossomed or reached a critical scale [58].

3) A large number of consumer goods were reserved for the small industry sector irrespective of whether this sector could actually produce these efficiently ([40] [59]).

4) The science and technology/research institutions were/are underfunded and disconnected from the industry.

5) The major economic reforms starting 1991 reduced tariffs sharply, opened up the economy, and deregulated domestic investment from government controls quickly. Since the 1990s there has been some significant deindustrialisation, and the sectors which have grown are the services—low-end/back office computer software development on the one hand, and human migration to different parts of the world as guest workers, on the other.

There has also been discontinuity; not a smooth transition or flexibility in policy as in the cases discussed in East or Southeast Asia every 3 - 5 years and also, no support to industrialisation from the other pillars. The industrial policy has been “exclusive” of the larger populace; hence, not conducive to human development\(^{18}\). India is characterised by large informal employment, much greater extent than East Asian countries. Industry contributes about 16% (manufacturing only 12%) to the GDP, among the lowest in Asia.

In sum, countries which have successfully industrialised—irrespective of whether it is through the market route or a mixed public/private sector route—have had:

1) A carefully architectured and flexible industrial policy;
2) Aggressive promotion of industries wherein the country has comparative advantage in terms of entrepreneurial maturity, scale, skills and competitiveness;
3) Strong research and development process, integrated with industry;
4) Partnership between entities: private sector, public sector, the state, academic/R & D institutions, and the like.

In contrast, the unsuccessful ones have had a half-hearted industrial strategy, little partnership between the different entities, weak R&D, corruption and cronyism; and even weaker general and vocational education.

### 3.3. Human Capital\(^{19}\)

The dual synergy model (see Section 2), which also traces linkages between education/health and economic development/poverty reduction, is a useful tool to compare experiences of countries.

All of East Asia attached priority to education, health and achieving technological prowess\(^{20}\). In South Korea, government investment on education has been among the highest in the world in terms of proportion to the GDP at 7.6% in 2010, with almost half spent on higher/scientific education\(^{21}\). Confucianism

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\(^{18}\)This typically implied, “Capital goods production matters… people do not”.

\(^{19}\)A presentation on middle-tier countries is avoided here to cut repetition, as their outcomes lie in-between the first and third.

\(^{20}\)Malaysia too falls in this category.

\(^{21}\)Data source: World Bank and UNESCO databases.
historically places great emphasis on the benefits of education; accordingly, the demand for education has always been high in the Korean society. After independence in the mid-late 1940s and the Korean War in the early 1950s, educational facilities expanded rapidly with local communities providing facilities for schools and the US-supported military government covering about two-thirds of operating costs, and also providing teachers to replace the departing Japanese. By the early 1960s primary education was universal resulting in transition to secondary education, which too was mostly universal by about 1970 [14]. The private sector and large companies also contribute extensively in higher education, especially in science, technology, engineering and mathematics.

The health sector received relatively less attention in Korea (with the exception of a focus on family planning) until 1976 (government expenditure: ~2% of the GDP). Yet public health expenditure was still about twice as high than say, in India (2015). Health status improved due to the rise in incomes and falling fertility (accompanied by rising education levels), reinforced since 1976 by an all-encompassing health insurance system. The IMR fell from 138 in 1950 to <3 during 2010-2015. The reason is clearly the said synergy between the three pillars of Figure 1: when incomes and education improve rapidly, people adopt hygienic habits and also seek better health, even if they have to pay. Next, population control was a significant component of the government’s growth strategy. Again, it has worked due to the said synergy: with rapidly falling IMR, people chose to have smaller family sizes, and progressively opted for late marriages due to increased education and employment opportunities for women. This in turn, limited the number of children per woman. The labour force participation of women, which was 36.5% in 1965, exceeded 50% in 2014 [61]. Total Fertility Rate (TFR) fell from 4.5 in 1970 to 1.2 in the second decade of the new millennium.

Another high-achiever could be seen in Malaysia, a country having an ethnically heterogenous population. The initial educational conditions at independence in 1957 required intervention. The majority ethnic Malay population formed the peasantry, who were relatively backward in education and health status and incomes, compared to the Chinese Malay, who controlled business. Primary education was mainly in the vernacular languages: Chinese and Tamil for the two minority communities, respectively, and Islamic education for the Malay.

The government’s strategy was to recognise that school education must be integral for improving the standards of living of the population and introduced Bahasa Malay as the universal language (in Roman script). It launched a massive effort to unify the educational system and create an educational infrastructure to deliver education to the entire population, targeted especially the rural population. The process involved a state-led standardisation of the school system—the curricula, syllabi, time tables, language(s) of instruction, organisation and funding of schools and teaching. State expenditure on education exceeds 5% of GDP22. Next, the R&D expenditure at 1.13% of GDP in 2012, was less than the

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22This proportion is among the higher ones in Asia. See, [64].
OECD average but was higher than the developing countries average. The outcomes were that by 1967, 91% of all primary school age children were enrolled in schools. As in 2009, the adult literacy rate was 95%, and primary school enrolment exceeded 99%, with some three-fourth of them moving to secondary education.

Similarly, the initial health conditions: Around 1957, needed state intervention. Some 70% of health services were concentrated in urban and semi-urban areas. For accessing health facilities, the rural population had to go to clinics in small towns and hospitals in large towns.

Following from a study by the World Health Organisation, a National Rural Health Programme was formulated to correct the unequal distribution of health services, planning for health in the 1950s. In 1960, the public health system was developed across the country, consisting of a three-tier structure: health centre, health sub-centre and midwife clinic. The government integrated health planning (along with educational planning) into the overall development planning for ensuring an appropriate apportioning of finances for building health and education facilities. It also located the Primary Health Care Units based on the size of the population to be served. The state spends about 4.3% of the GDP on health (2013 data from World Bank). As a result IMR reduced from 67 in 1960 to 6 in 2015. Underweight children reduced from about 23% in 1991 to 12% in 2010-2012, and stunting reduced from 22% to 17% through 1999 to 2008-2012. The TFR fell from 4.9 in 1970s to 1.9 in second decade of the current century.

Contrast the above two achievers with say, India. In India in the 1970s, adult literacy rate was 43.6%, which rose to only 75% literacy by 2011; rates significantly lower than those in all of East or Southeast Asia [62]. The primary school enrolment exceeded 90% in 2014 but only some half reached upper primary school levels and less than a fifth completed 12 years of schooling. State expenditure on education never exceeded 4% of the GDP. When the demand for more educational facilities became excessive and the quantity and quality of these services (supply) did not improve, the gap was bridged by the private sector. However, the private schools are expensive and also uneven in quality; hence, the real gap never got bridged. As in 2015, government schools were 58% of the total, government universities were 52% of the total.

Indian government spends about 1.15% of the GDP on health—among the lowest in Asia. India has had no comparable scheme of bare foot doctors of China. Successive Indian governments have neglected rural areas and preventive health care; instead, they have permitted investments to grow in (specialised) curative care in the (high-cost) private sector, principally in urban areas. Also having mushroomed are small, specialised private providers, who are largely unregulated. The public health system simply does not have the wherewithal to

23See, [63] [64] [65] for details.
24The government provides land to private providers at highly subsidised prices for setting up facilities, but the providers charge full fees and reap huge profits. This holds true for all levels of education: school, college/university, technical or medical.
cope with the disease burden. State health expenditure as a proportion of GDP in India was among the lowest in the cross section of countries at 1.15% (2014 data); as a result, out of pocket expenditure accounts for 80% of total health expenditure in the country [66].

Some outcomes were inevitable. India’s IMR in 2012 was at 38, higher than most of Asia other than Pakistan, Afghanistan, and Lao PDR [67]. Some 36% of all of India’s children under five were underweight in 2014-2015 (National Family Health Survey, 2016). Population accessing safe water was 96% (2011) but 35% for TFR in India fell from about 5.5 in the 1970s to 2.2 in 2016.

There has been a gross lack of synergy between key basic services like preventive and preventive health, adequate nutrition, basic education, water and sanitation due to ill-conceived policies. Low (quality) human capital stock is its direct outcome, resulting in high and sustained poverty. India’s demographic transition too has been slow, owing to high TFR stemming from high IMR and overall poor education. The population grew from 350 million in 1947 to 1.25 billion by 2014, and even in 2010-2011 the population growth was 1.4% annually—an un-affordably high number.

One key question, even if seen as conspiratorial, is whether the Indian state ever wanted to really educate the masses? A former prime minister, Nar Singh Rao, who had half century of public life behind him, in his book “The Insider” [68], published after his death (on his own request), says that the provincial governments tried very hard to not educate the people, for facilitating governance. We believe that no further explanation is required.

In sum, countries having shown success in human capital formation are the ones that have integrated it into the overall planning process and strengthened the synergies as in Figure 1. Their delivery mechanisms have inclusive, covering maximum areas and populations. The state expenditures on education have been in the range 5% of the GDP or more, and on health 2% - 3% or more. Finally, family planning was closely intertwined with reduction in IMR and such ratios, to make families adopt the small family norm rather than coerce them into adopting it.

4. An HD-Based Planning Framework

We will now discuss the planning principles that can be derived from the empirical analysis in the preceding sections.

The Premise

The discussion until so far suggests the following:

(1) Countries achieving success invested in human capital, have had a guided industrial policy, and these efforts have been preceded or accompanied by an (engineered) agrarian transformation process.

(2) The planning process was coordinated around these three policy pillars in (1) above, such that there are synergies established between them (such that the outcomes identified in the triangle (see Section 2) were achieved.
(3) Planning supplemented and complemented the market to help it grow. The state assisted local entrepreneurs and industrial houses to mature (in terms of scale, skill and reach-out), for them to negotiate in international markets to their and the country’s advantage.

(4) State expenditure on the human capital sectors was in excess of 5% - 6% (education), and 3% - 4% (health) of GDP; and skill formation took place in conjunction with the market/industry needs.

(5) There is strong partnership between the different partners: industry, government, and academic and training institutions.

(6) The planning process is flexible, in the sense that priority attached to industries and sectors, the R&D focus, etc. all change as per the changing times.

The Planning Process

There are three planning principles that seem common to the high achievers.

Planning Principle 1: For synergies to be realised in practice, actions on several fronts are needed; for example, progressive fiscal policies that are consistent with monetary policies to promote job-creating economic growth, asset inequality is low and welfare policies reduce poverty, and good governance. In short, there is need for an integrated framework to ensure synergies between different instruments of policies.

There are countries, which have achieved on the human capital scale but not economic growth (Sri Lanka), or those having achieved rapid growth in GDP but not income distribution or poverty alleviation (Philippines in the earlier years, Cambodia or Lao PDR now). This is because the relationship between economic growth, income-poverty (employment), and enhancement of education/health outcomes is a complex one, and also unique to each country setting. Unless the growth process stems from a larger engagement of (an educated/skilled) populace and that they (the latter) also share the gains of this growth, the cycle presented in Figure 1 would not remain virtuous; eventually, development would remain stunted. Thus, Sri Lanka has a large number of educated but low-skilled unemployed workers and no spectacular industrial growth, Lao PDR is critically dependent on exporting commodities with no deployment of its workers in modern activities, and the Philippines has been unable to consolidate its created wealth, which finds its way outside of the country. In these cases, the synergy suggested in Figure 1 is not established.

Planning Principle 2: There is no single universal path to development. A path that the Soviets chose for development in the 1930s and 1940s, for example, need not have become a model of development for other countries in a later era. It is not surprising that the Chinese chose a model of development significantly different from the Soviet one, and the Vietnamese chose a model closer to the Southeast Asian reality despite that it was politically close to the Soviet Union. India, having chosen a Soviet-type industrialisation, did not go far. In the same sequence, it could be stated that a policy relevant at one time need not be relevant at another time. For example, the Korean or Chinese approaches to devel-
Development and its developmental priorities changed almost every decade [69]. In other words, planners must first identify, and then engage directly with their own constraints within the synergy framework (Figure 1). If either the identification of constraints is inappropriate, or the policy to address those constraints is inadequate, there would be limited success.

Planning Principle 3: It is often believed that labour-intensive technologies are inferior—they fall below the isoquant—and hence, would keep the industry at low productivity levels. This is not right. In reality, most products have an optimal level of factor combination, different for different countries depending upon their relative factor endowments, and the real choice is about product combination. It is not surprising that East/Southeast Asian economies began with making garments, toys, and back-end simple assembly of mechanical/electrical/electronic products less than 30 - 40 years, before they embarked upon making other, more sophisticated products. At the earlier stage, thus, they were able to soak a large proportion of surplus labour from the agrarian sectors into the relatively productive sectors. Choice of technology is thus integrally tied to the choice a product [70].

Planning for development in an HD framework requires ensuring synergies between the three vertices of Figure 1. Next, planning requires being dynamic in the sense that priorities, strategies and public actions should change according to the changing environments and consolidation of gains.

5. Conclusions

This paper makes a case for HD-based planning: a process where human capital (education, skills, health) and the economic sectors are integrated into a dynamic framework. Based on the development experiences of several successful and not so successful countries in Asia, it traces how investments in human capital and integration of human capital, industrial development and agrarian transformation, form synergies, to create meaningful results. It also traces the histories of countries that missed the opportunities of investing in human capital and developing the said synergies.

The main argument of the paper is that HD does not happen automatically through markets, as claimed by many: it has to be carefully nurtured through government interventions. The paper does not go into micro level details; instead, it is limited to broad macro level numbers, trends and patterns. Some might find this a limitation.

References


