

The Not-So-Elusive Quest for Growth: Recent Economic Performance and Prospects in Developing Countries -- Michael Crosswell, USAID. (November 2007, Subject to Ongoing Revision and Update)

Abstract: This paper documents the much improved and largely positive economic performance of (113) developing countries since the mid-1990's, including projections through 2008. Performance has been overwhelmingly positive in Asia and in the formerly communist countries. It is much improved and mostly positive in Africa – four out of five Africans live in countries achieving significant economic progress since 2000. Indeed, the lagging region in terms of economic performance over the past decade was not Africa, but Latin America. The paper also looks at the widespread progress in economic freedom since 1995 and the significant links between economic freedom and economic growth. It concludes that since the mid-1990s and for the immediate future, the quest for growth has been mostly successful and far from elusive.

Introduction: This paper looks at recent growth performance in developing countries, including most of those with USAID programs. Before getting to the data, consider some stylized facts about economic performance and prospects in the developing world:

- The developing world as a whole is making reasonable progress – as reflected in average growth rates weighted by the size of economies.
- But, the averages reveal a sharp divergence between middle-income countries – many of which are indeed growing rapidly – and poor countries, which appear to be lagging seriously. Globalization is seen as benefiting the “haves” but not the “have-nots”.
- Viewed by region, Africa is seen as a failure at economic growth, and there is concern about economic growth in North Africa and the Middle East. Asia is seen as most successful followed by Latin America.
- The formerly Communist countries of Eastern Europe and the NIS are often portrayed as struggling to regain Cold War levels of national income.
- Over time the view is that since the mid-nineties, events have conspired against the developing world: The Asian financial crisis, the subsequent financial crises in Brazil, Russia, Turkey, and Argentina; the global recession and the war on terrorism; associated adverse trends in trade and investment; and the impacts of HIV/AIDS, the Tsunami, Avian Influenza, the failure of the Doha Round, etc.

There is some truth in each of these. But in many ways they misrepresent and understate the degree of success; where success is taking place; and experience in Africa in particular.

This paper focuses mainly on growth in per capita income for developing countries during 1996-2006. It includes comparisons across regions and comparisons with 1990-96. We also report on projected growth for 2001-2008, taking advantage of recent IMF

projections for 2007 and 2008.¹ In looking at these data, the focus is on how many countries in a region are doing well or poorly, and secondarily on regional averages that are NOT weighted by GNP or population. (For businesses interested in market size and growth, it is obviously critical to weight growth rates by GNP. For donors interested in development progress across a range of aid recipients, large and small, unweighted averages are arguably more useful.)

The benchmark for gauging success -- in the sense of satisfactory progress-- is *average annual growth in per capita income of at least 2%*. This can be justified from several different perspectives. First, it is close to the average historical growth rate in per capita income of the United States – arguably the most successful case of economic development ever. That rate is estimated at a surprisingly modest 1.7 to 2.2% annually since 1776.² Second, it is above the (weighted) average growth rate in per capita income of 1.8% for the “Major Advanced Economies” over the past two decades.³ Thus it is consistent with eventual convergence. Third, according to many estimates of the relationship between growth and poverty reduction, annual growth at 2 per cent on a per capita basis – if sustained – is broadly consistent with achieving the international development target of a 50% reduction in the share of the population in poverty over twenty-five years.⁴

Economic Growth -- Performance and Prospects

The data support the first stylized fact – the developing world is indeed making progress overall in terms of economic growth. According to the April 2007 World Economic Outlook, real GDP per capita in emerging market and developing countries for 1996-06 grew at a (weighted) average rate of 4.4%, compared with less than 2% for the major advanced economies.⁵

Consider the second generalization – middle-income countries are doing well, but low-income countries are not.⁶ This was certainly true in the first half of the 1990’s, when the

¹ See Table 1. The GDP growth data and projections are from the World Economic Outlook released in October 2007 by the IMF and available on their web site. Population growth rates are from the World Development Indicators data base, with data through 2006. The “1996-06 growth rate” is the average annual growth rate that gets GDP per capita from its 1996 level to its 2006 level

² See Foreign Aid in the National Interest, USAID 2002, Chapter 2 – “Driving Economic Growth”, p. 54

³ World Economic Outlook, April 2007, Statistical Annex, Table 4. The corresponding table is not provided in the October 2007 World Economic Outlook.

⁴ For example, “Growth IS Good for the Poor”, David Dollar and Aart Kraay, Policy Research Working Paper #2587, World Bank, 2000; also published in Journal of Economic Growth, Volume 7; and Pro-Poor Growth in the 1990s: Lessons and Insights from 14 Countries, World Bank, June 2005. The latter report estimates the average elasticity of poverty with respect to income growth at 1.7, so that a 1.6% growth rate sustained over 25 years would reduce poverty by 50%. The elasticity of poverty with respect to growth varies considerably across countries and over time within countries, depending especially on trends in income distribution.

⁵ Figures for 1997 and 1998 are from earlier editions. The October 2007 World Economic Outlook does not provide per capita growth rates for the major advanced economies. Looking at overall GDP growth, the major advanced economies grew at 2.4% compared with 5.8% for the developing and emerging economies.

⁶ We use the IBRD/DAC definition of low-income countries, reflecting a threshold of \$905 per capita income in 2006. Figures cited are simple averages rather than weighted by GDP. The averages are for 44

(unweighted) average growth rate for middle-income countries was around 2.4%, compared with nearly zero for low-income countries. However, since the mid-1990's growth has accelerated sharply in low-income countries. For 1996-2006 the same set of low-income countries grew at 1.7%, compared with 2.1% for middle-income countries. Moving forward to the 2001-08 period, average annual growth in both groups rises -- to around 2.5% for low-income countries and 3.0% for middle-income countries. So, poor countries are doing much better, both relative to earlier periods and relative to middle income countries.⁷

Now consider growth performance in specific regions, initially focusing mainly on low-income countries for two reasons. First, they are perceived to have been least successful at growth; and second it is in the low-income countries that most of global poverty (around 80%) is concentrated.

In Africa – where the challenge of achieving economic growth is supposed to be most difficult – trends are mixed and clearly improving. Looking at 33 low-income countries, the (unweighted) average growth rate has improved significantly, from -0.6% in the first part of the 1990s to 1.3% over the past decade.⁸ The latter rate is nothing to write home about, but it at least signals a shift from gradual decline to modest improvement. What is more striking is the number of countries where growth has accelerated to meaningfully positive rates. In the first half of the 1990's only six low-income countries (out of 33) grew at annual rates of 2% or better. During 1996-2006 that number more than doubled, to 13. Some of the countries behind this improving trend include Ethiopia, Mali, the Gambia, Mozambique, Tanzania, and Senegal. They join countries such as Lesotho, Uganda, Ghana, and Burkina Faso, which achieved such growth over both periods. For 2001-2008 the average growth rate is rises further – to 2.1 % -- with twenty low-income countries meeting or surpassing the 2% growth benchmark; and fourteen of these growing at 2.5% or better.⁹

Trends in seven middle-income countries in Africa are also largely positive, despite the impacts of HIV/AIDS. In particular, economic growth in South Africa has accelerated sharply, from -0.7% in the first half of the 1990's to 1.7% over the past decade, and 3.2% for 2001-08. Growth has accelerated in Namibia, and has remained strong in Botswana, Cape Verde and Mauritius.

low-income countries and 41 middle-income countries, based on IBRD income thresholds and groupings for 1999 and 2000. Accordingly, Angola and Indonesia are counted as low-income; and Djibouti and Papua New Guinea are counted as middle income. We exclude Togo, China, Taiwan, Hong Kong, Singapore, Myanmar, Syria, Iran, Libya, and Saudi Arabia; East Timor, Liberia and Somalia for data limitations; and Equatorial Guinea – an outlier in terms of unusually high growth rates. We also leave the formerly Communist countries in Europe and Eurasia outside this part of the discussion, owing to their accentuated pattern of decline and recovery during the 1990's.

⁷ For this latter comparison we drop Angola (13.4%) from the low-income group, as an outlier.

⁸ More specifically, the time periods for the regional discussions are 1990-96 and 1996-06.

⁹ Angola is excluded from the Africa low-income average for 2001-08, but is included in the count of countries meeting or surpassing the 2% benchmark.

There are of course qualifiers, footnotes, and uncertainties behind all this. But the major point – that recent growth performance in Africa is not uniformly discouraging, but rather a mixed picture with significant positive features and trends – is one that is generally unappreciated in popular depictions of development progress in Africa. Considering both low (33) and middle-income (7) countries, the average growth rate has risen from below zero in the first half of the 1990s to 1.5% over the past decade, and 2.3% for 2001-08.¹⁰ The number of countries at 2% or better has increased steadily from 8 to 17 to 26.

Turning to low-income **Asia** -- the region that accounts for the bulk of global poverty -- we see 1996-06 growth rates around 3 ½ to 6 % for India, Bangladesh, and Vietnam, which collectively account for over 1.3 billion people, nearly twice the population of the 33 low-income African countries considered above. Growth for 1996-2006 was much slower but still positive in Pakistan (1.9%) and Indonesia (1.2%). However, for 2001-08 growth increases sharply to 3.7% for Pakistan and 4% for Indonesia. Growth rates in India, Bangladesh, and Vietnam also rise. If these sorts of growth rates can be sustained they will lead to major reductions in global poverty, given the large populations of these five countries. Again, the picture is much more positive than commonly appreciated.

For middle-income Asia the picture is broadly one of slowdown and then significant recovery in the countries involved in the Asian Financial Crisis. For 2001-08 growth is projected at around 3.5-5% in Sri Lanka, Philippines, Malaysia, Thailand and Korea. For the latter three (and Indonesia) these are well below their growth rates in the early 1990's, but are arguably more sustainable.

Looking at **Latin America and the Caribbean**, only Haiti and (until very recently) Nicaragua are low-income countries, and Nicaragua achieved modest growth (2.4%) for 1996-2006. The more striking story is the disappointing track record on economic growth in the region overall. Out of twenty-two countries only eight (Nicaragua, Dominican Republic, Belize, Panama, Peru, Costa Rica, Chile, and Mexico) managed growth at 2% or better for 1996-06. This was a smaller percentage than for Africa (36% versus 43%) and represented a significant decline from 1990-96, when eleven countries met that benchmark. Indeed, it would come as a surprise to many that growth performance was arguably weaker in Latin America than in Africa over the past decade.¹¹ Looking ahead, trends are very positive. The average growth rate for the region is projected to rise – from about 1.6% for 1996-06 to 2.5% for 2001-08 -- with fifteen countries showing growth above 2% for 2001-08.

In the **Middle-East and North Africa** only Yemen is a low-income country, and growth has been persistently weak (roughly around 1%) since 1990, with a decelerating trend. The picture is much more positive for middle-income countries. Egypt, Morocco, Jordan, Tunisia, and Turkey all achieved significant growth during 1996-06, with growth rates in

¹⁰ Without Angola (13.4%) for 2001-08.

¹¹ The average growth rate was slightly higher in Latin America than in Africa – 1.6% versus 1.5%. The median growth rate was higher in Africa (1.7% versus 1.3%); and a higher percentage of countries in Africa met or exceeded the 2% benchmark (43% versus 36%)

the range of 2.5% to 3.7%. For 2001-08 these growth rates rise significantly – to a range of 3.2% to 5.3%.

The formerly Communist countries of Europe and Eurasia need to be considered separately, because their growth pattern and performance has been dominated by the fall of the Iron Curtain and the transition from Communism. This resulted in steep declines in measured GDP in the first half of the 1990's, at an average annual rate of -5% for 28 mostly middle-income countries.¹² Since the mid-1990s there has been a marked turnaround. For 1996-2006 the average growth rate was 5.8%. More remarkably, growth rates were above 2% in all twenty-eight countries; and 3% or better in all but Macedonia. Further, this was not simply a rebound effect -- average growth is forecast to accelerate to 6.8% for 2001-08.¹³ Again, there are qualifiers, footnotes, and uncertainties. But, in broad strokes this is a remarkably positive picture.

Putting this all together and *focusing on 2001-2008*, the growth picture is:

- **Predominantly positive in Asia.** Among low- and middle-income countries (over 2 billion people, not counting China) only Nepal (0.9%) and Papua New Guinea (0.8%) evidence weak growth performance. In the remaining countries growth ranges from 3.5% to 7.5%. The “Asian Miracles” are not growing as rapidly as in the first half of the 1990's, but they are nonetheless making significant progress.
- **Overwhelmingly positive in the formerly Communist countries of Europe and Eurasia** (405 million people). The slowest growth is in Macedonia (3.3%) and growth rates in almost all the other countries are well above 4%.
- **Increasingly positive in Africa** (750 million people). Nearly two-thirds of low-income African countries show growth in per capita income at 2% or better (20 out of 33), along with six out of seven middle-income countries, including South Africa, Namibia and Botswana. Together these twenty-six countries account for 624 million people, compared with a total of almost 750 million. In other words, four out of every five Africans (in our 40 country sample) lives in a country achieving at least moderate economic growth since the turn of the century.
- **Increasingly positive in Latin America** (545 million people.) Along with the Asian Miracles, the middle-income countries of Latin America have both contributed to and been affected by instability in international financial markets. For 2001-08, fifteen out of twenty-two countries meet or exceed the 2 per cent benchmark, compared with only eight during 1996-06.

¹² Data are incomplete for some countries and some years.

¹³ Excluding Azerbaijan (18.2%) as an outlier.

- **Mostly positive in the relatively moderate Islamic countries of North Africa and the Middle East.** (255 million people) For Morocco, Algeria, Tunisia, Egypt, Jordan, and Turkey per capita growth rates range from 3.2% (Egypt) to over 5% for Turkey. Growth prospects are unclear for Lebanon and dim for Yemen.

Overall, of the nearly 4 billion people in 113 countries covered by this discussion, over 90% live in countries achieving satisfactory or better growth over the 2001-08 period. Of the remaining 9% -- about 338 million people -- almost one-third are accounted for by Mexico, where growth is just under 2% and improving.

Economic Freedom and Growth

What lies behind this improved growth performance? For starters, economic freedom is increasing in most developing countries, particularly the low-income developing countries and the formerly Communist countries of Europe and Eurasia.¹⁴

- For 31 low-income developing countries, mostly in Africa, economic freedom clearly increased over the past decade in 25 (81%); stayed about the same in 3 countries; and declined in only three. The average score for this group rose from 5.0 in 1995 to 5.6 in 2005. (For reference, the average score for industrialized countries is about 7.7).
- For 14 formerly Communist countries, economic freedom significantly increased in every case -- by at least one point, and in six cases by more than two points. The average score rose from 4.9 to 6.7.
- For 38 middle-income developing countries progress was more limited, as the average score increased from 6.2 to 6.6. Economic freedom increased significantly in twenty-three countries; changed little if at all in seven countries; and clearly declined in eight, including Philippines, Thailand, Malaysia, and Argentina. Increased controls in response to financial market crises most likely played a role in these latter trends.

Statistical analysis indicates that levels and trends in economic freedom help explain variations in economic growth across countries. Taking regional location into account is also important.

Looking at the 1996-2006 growth rates and the 1995 and 2005 economic freedom scores, regression analysis shows that the initial (1995) level of economic freedom along with

¹⁴ The Fraser Institute and Cato Institute provide economic freedom scores for a range of developing countries for 1995, 2000, and 2005 in their 2007 Annual Report. The discussion of trends is based on comparing the 1995 and 2005 scores. The Fraser-Cato Index of Economic Freedom covers seven areas of policies and institutions: the size of government; legal structure and security of property rights, access to sound money, freedom to trade with foreigners; regulation of capital and financial markets; regulation of labor markets; and freedom to operate and compete in business.

the change in economic freedom over the 1995-2005 period explain 39% of the variation in growth rates among countries. Both explanatory variables are highly significant, and the coefficients indicate strong impacts of economic freedom on growth. In particular, a one point improvement in economic freedom over the decade adds 1.9 percentage points to the predicted growth rate.

Earlier discussion pointed out that the formerly Communist countries need to be considered separately, as high growth rates for these countries after 1995 in part reflect a rebound from steep declines during the early 1990s. At the same time, economic freedom scores have improved sharply in those countries in the course of the transition from Communism. How much of the ostensible link between improvements in economic freedom and rapid growth is due to this rebound effect?

Adding a dummy variable for the formerly Communist countries raises the explanatory power of the regression equation to 53%. Holding economic freedom variables constant, being a formerly Communist country in Europe/Eurasia adds about 2.6 percentage points to the expected growth rate. The economic freedom variables remain highly significant. The impact of improvements in economic freedom declines somewhat but remains strong – a one point increase in economic freedom adds about 1.3 percentage points to the predicted growth rate.

Considering other regions by using additional dummy variables adds little to the explanatory power of the regression equation:

- Adding an Asia dummy variable raises the explanatory power of the equation to nearly 53%. Location in Asia adds about 1 percentage point to predicted growth, however the coefficient for the Asia dummy variable is only marginally significant ($t=1.78$). The coefficients for the economic freedom variables and the E&E dummy remain about the same, and highly significant.
- Dummy variables for other regions are not statistically significant. For Africa this tends to substantiate claims of major improvements in Africa's growth performance – a dummy variable for Africa has typically been highly significant with a negative coefficient in explaining growth for the 1980s and early 1990s. For Latin America, this is an improvement over last year's results, where a Western Hemisphere dummy variable was statistically significant and *subtracted* almost a full percentage point from predicted growth.
- More generally, except for LAC the regression results are very close to those reported in last year's version of this paper, covering 1995-05 growth and 1995 and 2004 economic freedom scores.

Focusing on economic growth for 2001-08 and considering the initial (2000) level of economic freedom as well as improvements up to 2005, these results hold up surprisingly well considering the brevity of the intervals:

- An equation including only the two economic freedom variables (initial level and change up to 2005) explains 21% of the variation in growth rates, with both

- variables highly significant. A one point improvement in economic freedom adds nearly 2 percentage points to the predicted growth rate.
- Adding a dummy variable for Europe and Eurasia improves the explanatory power of the equation to 40%, with all three variables significant. Location in E&E adds about 3 percentage points to predicted growth. The impact of a one point improvement in economic freedom falls to roughly 1 percentage point – still substantial.
 - Adding a further dummy variable for Asia improves the explanatory power of the equation to 42%. The statistical significance of the Asian dummy variable improves somewhat ($t=1.87$) and the other three variables remain significant, with little change in their coefficients. Location in Asia adds about 1.1 percentage points to the predicted growth rate.
 - Dummy variables for other regions are not statistically significant. Again this suggests that for 2001-08 (as well as for 1996-2006), location in Africa does not handicap expected growth performance.

Concluding Comments:

Critics of foreign aid like to argue that there has been very limited progress in the developing world – particularly in terms of economic growth. Therefore, foreign aid has failed to promote development. The perception of very limited development progress formed during the 1990's, particularly in response to widespread stagnation and decline in Africa. These perceptions have persisted to the present. On the right, Bill Easterly has written about “The Elusive Quest for Growth”, the result of failed approaches by donors and recipients. And on the left, Jeff Sachs has argued for massive increases in aid directed at poverty reduction, arguing that poor countries – particularly in Africa – are stuck in “poverty traps” and cannot achieve enough savings to grow.

The pessimism about development performance and prospects was way overdrawn even in the mid-1990s – ignoring a significant number of emerging good performers in Africa (hence progress was demonstrably feasible in that region); and more importantly ignoring the major, widespread gains achieved in other regions of the world, particularly populous, low-income Asia. Even from the vantage point of the mid-1990s the development record since the 1960s was predominantly positive.¹⁵

From the vantage point of 2007, perceptions of persistent stagnation have clearly failed to keep up with reality. Economic performance of developing countries has been steadily improving and largely positive the mid-1990s. Today over 90 per cent of the people in the developing world (including over 80 per cent of Africans) live in countries with significantly positive economic growth since the turn of the century. Furthermore, much of this improved performance can be explained by progress in economic freedom – i.e. policies and institutions supportive of private markets. It remains to be seen whether these encouraging trends will be sustained. In any case, since the mid-1990s and for the immediate future, the quest for growth has been mainly successful and far from elusive.

¹⁵ See “The Development Record and the Effectiveness of Aid”, Michael Crosswell, PPC Staff Discussion Paper, June 1998, published in Praxis, Volume XV, 1999.

Table 1: Economic Growth and Economic Freedom

	Population 2006 (millions)	Per Capita Income 2006 (US\$)	Growth in Per Capita Income			Economic Freedom		
			1990-96	1996-06	2001-08	1995	2000	2005
Sub-Saharan Africa								
Burundi	7.8	100	-4.8	-0.4	-0.1	4.5	5.1	5.0
Congo, Dem. Rep.	59.3	130	-9.3	-1.9	3.0	3.7	3.4	3.8
Ethiopia	72.7	180	0.8	2.5	4.9	..	..	..
Malawi	13.2	170	2.2	0.4	2.3	4.4	4.7	5.5
Guinea-Bissau	1.6	190	0.2	-3.9	-2.3	3.9	4.4	5.3
Eritrea	4.5	200	10.8	-1.9	-1.8	..	..	..
Sierra Leone	5.6	240	-8.9	1.6	6.3	4.3	5.1	5.5
Rwanda	9.2	250	-1.9	1.7	2.9	4.1	5.0	5.1
Niger	14.4	260	-2.0	0.2	0.9	4.9	5.8	5.3
Uganda	29.9	300	3.2	2.3	2.4	5.1	6.5	6.4
Gambia	1.6	310	-0.4	2.0	2.2	..	..	..
Madagascar	19.1	280	-2.8	0.4	0.7	4.7	5.6	5.8
Mozambique	20.1	340	0.0	6.2	5.4	..	..	..
Tanzania	39.5	350	-0.9	2.8	4.0	4.9	5.8	6.4
Zimbabwe	13.1	340	0.4	-5.0	-6.2	5.4	4.1	2.8
Central African Rep.	4.1	360	-3.6	-0.1	-0.3	4.7	4.9	5.1
Guinea	9.2	410	0.2	1.4	0.9	..	..	..
Mali	13.9	440	1.1	2.0	2.0	5.3	6.0	5.5
Burkina Faso	13.6	460	2.1	2.9	2.8	..	..	..
Chad	10.0	480	-0.2	5.0	6.2	4.6	5.4	5.3
Ghana	22.5	520	2.0	2.6	3.6	5.4	5.8	6.4
Zambia	11.9	630	-4.1	1.7	3.5	4.8	6.7	6.8
Benin	8.7	540	0.6	1.3	0.7	4.6	5.4	5.8
Kenya	35.1	580	-1.2	0.7	2.3	5.8	6.5	6.9
Mauritania	3.2	740	1.1	0.9	1.8	..	..	..
Nigeria	144.7	640	-1.4	1.8	3.6	4.0	5.3	5.7
Sudan	37.0	810	-0.9	4.8	6.4	..	..	..
Senegal	11.9	750	-0.6	1.9	2.0	4.8	5.9	6.1
Cote d'Ivoire	18.5	870	1.3	-1.2	-0.7	5.4	5.7	6.1
Congo, Rep.	4.1	950	-2.1	0.3	1.8	5.0	4.4	4.5
Lesotho	1.8	1030	4.0	2.2	4.3	..	..	..
Cameroon	16.7	1080	-3.3	2.0	1.8	5.3	5.4	5.6
Djibouti	0.8	1060	-4.9	-0.4	2.0	..	..	..
Angola	16.4	1980	-2.8	5.3	13.4	..	..	..
Cape Verde	0.5	2130	2.9	4.3	3.4	..	..	..
Swaziland	1.1	2430	-0.3	0.7	1.0	..	..	..
Namibia	2.1	3230	1.0	2.3	3.7	6.4	6.2	6.4
South Africa	47.4	5390	-0.7	1.7	3.2	6.3	6.8	6.7
Botswana	1.8	5900	1.9	5.9	5.1	6.4	7.2	6.9
Mauritius	1.3	5450	4.8	3.4	2.8	7.3	7.3	7.6

	Population 2006 (millions)	Per Capita Income 2006 (US\$)	Growth in Per Capita Income			Economic Freedom		
			1990-96	1996-06	2001-08	1995	2000	2005
Asia								
Nepal	27.7	290	2.6	1.9	0.9	5.4	5.8	5.0
Cambodia	14.4	480	3.3	6.7	7.4	..	..	..
Lao PDR	5.8	500	3.6	4.4	5.1	..	..	..
Bangladesh	144.3	480	2.3	3.5	3.9	5.4	5.7	5.8
Vietnam	84.1	690	6.3	5.8	6.5	..	..	..
Papua New Guinea	6.0	770	5.4	-1.4	0.8	6.5	5.8	6.3
Pakistan	159.0	770	2.1	1.9	3.7	5.6	5.4	5.8
India	1,109.8	820	3.6	4.8	6.3	5.6	6.2	6.7
Sri Lanka	19.8	1300	3.8	4.1	4.8	6.1	6.1	5.8
Indonesia	223.0	1420	5.7	1.2	4.0	6.6	5.9	6.4
Philippines	84.6	1420	0.5	2.2	3.5	7.2	7.1	6.5
Thailand	64.7	2990	6.7	1.7	4.3	7.2	6.7	6.7
Malaysia	25.8	5490	6.7	2.1	3.7	7.4	6.9	6.8
Korea, South	48.4	17690	6.6	3.6	4.3	6.4	6.6	7.2
Latin America and Caribbean								
Haiti	8.6	480	-3.0	-0.6	-0.4	5.8	5.9	5.8
Nicaragua	5.2	1000	0.4	2.4	2.6	5.4	6.4	6.3
Bolivia	9.3	1100	1.8	1.2	1.9	6.5	6.7	6.6
Guyana	0.8	1130	7.1	1.1	2.0	5.1	6.8	6.4
Honduras	7.4	1200	0.6	1.1	2.0	6.2	6.4	6.5
Paraguay	6.0	1400	0.7	-0.5	1.4	6.5	6.3	6.3
Colombia	45.6	2740	2.2	1.0	3.3	5.5	5.4	5.6
Dominican Rep.	9.6	2850	2.7	4.2	3.6	6.0	6.5	6.3
Guatemala	12.9	2640	1.3	1.1	1.4	6.7	6.4	7.1
El Salvador	7.0	2540	3.3	1.0	1.3	7.0	7.3	7.5
Peru	28.4	2920	3.1	2.2	4.4	6.3	6.9	7.1
Ecuador	13.4	2840	1.2	1.8	3.0	6.0	5.6	5.6
Jamaica	2.7	3480	0.0	0.3	1.2	6.4	7.0	7.0
Brazil	188.7	4730	1.4	1.1	2.1	4.5	5.9	5.9
Belize	0.3	3650	2.5	3.1	2.1	6.3	6.2	7.0
Uruguay	3.3	5310	3.5	1.4	3.4	5.9	6.6	6.7
Argentina	39.1	5150	4.5	1.1	4.1	6.7	7.2	5.3
Costa Rica	4.4	4980	2.2	3.1	3.7	6.8	7.3	7.3
Panama	3.3	4890	3.7	3.0	4.7	7.1	7.1	7.2
Venezuela	27.0	6070	0.6	0.8	2.9	4.3	5.5	4.6
Chile	16.5	6980	6.6	2.7	3.6	7.5	7.5	7.7
Mexico	104.2	7870	0.3	2.4	1.8	6.3	6.3	7.0

	Population 2006 (millions)	Per Capita Income 2006 (US\$)	Growth in Per Capita Income			Economic Freedom		
			1990-96	1996-06	2001-08	1995	2000	2005
Eastern Europe and Eurasia								
Tajikistan	6.5	390	-14.0	5.9	7.1	..	..	..
Kyrgyz Republic	5.2	490	-9.2	3.1	3.4	..	..	..
Uzbekistan	26.6	610	-3.7	3.5	5.3	..	..	..
Mongolia	2.6	880	-3.4	4.1	6.1	..	..	..
Moldova	4.2	1100	-10.7	4.5	7.5	..	..	..
Azerbaijan	8.4	1850	-15.0	11.1	18.2	..	..	..
Turkmenistan	4.8	<1735	-12.6	9.8	10.6	..	..	..
Georgia	4.5	1560	n/a	7.6	9.9	..	..	..
Armenia	3.0	1930	2.5	10.0	12.7	..	..	..
Ukraine	47.1	1950	-14.7	5.5	7.9	3.9	4.7	5.6
Bosnia-Herzegovina	3.9	2980	n/a	8.4	5.4	..	..	..
Albania	3.1	2960	0.2	4.9	4.8	4.5	5.7	5.9
Belarus	9.8	3380	-7.1	8.1	8.7	..	..	..
Macedonia, FYR	2.0	3060	-3.8	2.0	3.3	..	..	..
Kazakhstan	15.1	3790	-6.8	7.6	8.7	..	..	..
Serbia-Montenegro	8.2	3910	n/a	4.8	5.6	..	..	..
Bulgaria	7.7	3990	-6.8	4.7	6.3	4.5	5.1	6.6
Romania	21.6	4850	-0.7	3.0	6.7	4.0	4.9	6.3
Russia	143.0	5780	-7.3	5.3	7.1	4.1	4.9	5.5
Latvia	2.3	8100	-0.9	8.7	9.5	4.8	6.6	7.3
Lithuania	3.4	7870	-4.9	7.1	8.3	4.8	6.3	7.2
Poland	38.2	8190	2.6	4.4	4.7	5.3	6.3	6.8
Slovak Republic	5.4	9870	n/a	4.1	6.3	5.5	6.3	7.2
Croatia	4.4	9330	3.5	4.1	5.0	4.4	5.8	6.5
Estonia	1.3	11410	n/a	8.5	8.8	5.4	7.1	7.8
Hungary	10.1	10950	-1.4	4.7	4.0	6.4	6.7	7.6
Czech Republic	10.2	12680	-0.2	3.0	4.7	5.8	6.7	7.0
Slovenia	2.0	18890	4.0	4.2	4.2	4.8	5.9	6.0
Middle East and North Africa								
Yemen	21.0	760	1.3	1.3	0.8	..	..	..
Egypt	74.0	1350	1.2	3.0	3.2	5.9	6.7	6.8
Morocco	30.2	1900	0.9	2.7	2.6	5.9	6.0	6.0
Jordan	5.4	2660	0.2	2.5	3.6	6.1	7.0	6.9
Algeria	32.9	3030	-1.3	2.4	3.5	3.8	4.3	5.0
Tunisia	10.0	2970	2.5	3.7	4.0	6.0	6.1	6.2
Turkey	72.6	5400	1.9	2.5	5.3	5.7	5.8	6.2
Lebanon	3.6	5490	7.5	1.5	1.8	..	..	..
Cyprus	0.8	18430	1.8	2.2	1.5	6.2	6.2	7.5

Table 2: Economic Growth and Economic Freedom -- Regression Results

Regression Results -- Economic Growth and Economic Freedom						
Economic Growth 1996-06	Constant	EF -- 1995	EF Change 1995-05	E&E Dummy	Asia Dummy	Adjusted R-square
1	-4.41 (-3.10)	0.96 (4.06)	1.93 (7.33)			0.39
2	-4.40 (-3.45)	0.96 (4.53)	1.29 (4.66)	2.55 (4.51)		0.53
3	-4.23 (-3.35)	0.89 (4.21)	1.39 (4.99)	2.52 (4.53)	0.96 (1.78)	0.53
Economic Growth 2001-08		EF -- 2000	EF Change 2000-05			
4	-2.42 (-1.35)	0.88 (3.01)	1.92 (4.27)			0.21
5	-2.30 (-1.48)	0.80 (3.17)	0.90 (2.05)	3.17 (5.19)		0.40
6	-2.26 (-1.49)	0.77 (3.07)	0.90 (2.11)	3.35 (5.50)	1.13 (1.87)	0.42