The Family and Economic Development:
Socioeconomic Relevance and Policy Design

by

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I. Introduction

Is the family relevant for economic development? Some would argue that the family is key for economic development because they see it as an obstacle to achieve “sustainable” development. Marriage, the union of a man and a woman, generate children. They believe that the earth is limited. Therefore, the more we are, the poorer we will be. In addition, others within this group see the family as a hostile place for woman and children. Consequently, they contest, if poverty and abuse of women is to be eradicated, it has to be monitored and regulated by national and international laws as well as by institutions. Finally, other within this position see the family as a problem for development because they believe that large populations, by perpetuating poverty, threaten government stability in developing countries and in the world. This in turn causes instability within their countries as people fight to access scarce resources. It also, they believe, causes resentment towards developed countries because they are rich.

Others argue that the family is key because it makes “sustainable” development possible. This is so, because healthy families are needed for the economy to fulfill its purpose. Growth of population does not equal poverty, they maintain, poorly structured families and societies as well

1. Historically, economists holding this position based the relationship between population growth and real growth on Malthus’ Theory of Population and Income. Thomas Robert Malthus (1978) introduced a relationship between population growth and what he termed subsistence. The first grew geometrically while the second increased only at an arithmetic ratio. Thus, he proposed the existence of an inverse relationship between population growth and development derived from the law of diminishing returns. This law is the belief that more people mean fewer goods for each person; thus, as population grows, poverty inevitably increases. Brown (1999) captures the typical arguments used in this position. A further corollary of this perspective, some times is identified as Neo-Malthusians. They see people as destroyers of resources and violators environmental limits. Among the leading representatives of this group are Ehrlich and Brown. Their seminal works are Ehrlich (1968) and Hardin (1968). For a more resent presentation of their position see Ehrlich and Ehrlich (1990) and Hardin (1998) and for a detailed analysis of their views see Simon (1996 a-b), Furedi (1997), Wolfgram (1999), Johnson (2000), and Aguirre (2002).

2. See de Beauvoir (1949), Friedan (1963 and 1997), Millet (1971), Amoros (1997), and Coomaraswamy (1997) for this perspective. For a review of this position see Aguirre and Wolfgram (2002).


4. Since the seminal work of Gary Becker on human capital, many other economists have supported this position. Among them is another Nobel Laurete, Amartya Sen. For their position on human capital and the family, see Becker (1991) and Sen (1994).
as bad economic policies foster poverty. Finally, others consider that the family makes sustainable development possible precisely because of its connection with population. They believe that population control policies, by hampering human generation, undermine families and economic development, as it leads them towards an “aging population trap” as oppose to the “population trap” predicted by Malthus. How people perceive the connection between the family and economic development is critical, for it is by these perceptions that domestic and international economic and social policies are formulated and implemented. Thus, it is equally critical that people ensure their perceptions are grounded, not in rhetoric and emotions, but in established scientific and empirical data.

I would like to argue that the focus on family and population is not necessarily incorrect, but that both the population control policies used and the approach of some international organizations and countries to the family are mistaken. This is so because: 1) healthy families are essential for a country as they have a direct impact on human, moral, and social capital, and therefore, on resources use, economic activity, and economic structures; and 2) resources are used inefficiently when directed towards policies that weaken families instead of policies that strengthen them. This, in turn, hampers the sustainability of real economic growth and perpetuates poverty.

In the second part of this paper, a basic framework of the role of the family in the economic activity is presented. This section is followed by the socioeconomic relevance of the family. Section four addresses some of the main economic living condition of families in developing countries. The policies most often proposed together with some of the policies that have proven helpful to the family in developed countries are examined in section five. This section is followed by a review of two useful initiatives introduced in developing countries as tools of strengthening poverty-striking families. The paper finishes with the conclusions.

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5 See Sen (1981 and 1998), Fukuyama (1999), Aguirre (2001), and Kilksberg (2000 and 2001). There are also those who attribute the present problems not to population but to the distribution of resources given the present structures. Some of these authors include Dobson (1997), Matson (1997), Rabkin (1997), and Kiester (1999).


7 On this point, I have good company: Gary Becker, Nobel Laureate 1992 stated that “No discussion of human capital can omit the influence of families on the knowledge, skills, values, and habits of their children and therefore on their present and future productivity.” Becker (1991). Similarly, Amrtya Sen, Nobel Laureate 1998 has reminded us that “[t]he human development approach must take full note of the robust role of the human capital, while at the same time retaining clarity about what the ends and means respectively are. What needs to be avoided is to see human beings as merely means of production and material prosperity.” Sen (1994)
II. How Does the Family Fit in the Economy and Its Socioeconomic Implication

Elsewhere I have argued that when addressing the relationship between family and economics, it is important to consider the characteristics of the family and how the economy relates to these characteristics. One of the characteristics of the family is that it is the first form of society. A person normally comes into the world within a family, and it is within a family where the child first develops and matures as a human person. In addition, the members of the family are human beings and, therefore, they are in need of material things to survive and develop. It is this need to obtain and to consume goods and services that explains the reason for economics and the role that the family plays in it. In this sense then, we can say that the family is the first and most fundamental place where production and spending acquire their meaning. It follows that it is precisely in the ability to foresee both the needs of families and the optimal allocation of the inputs of production to satisfy those needs, which constitute an important characteristic of a well-functioning economy.

Table 1, presents a sketch of how the economy operates and why a well-functioning family is necessary for sustainable economic growth. The economy has three fundamental activities: production, exchange, and consumption (Table 1, Column 1). In order to produce, the economy needs to use resources. These resources or factors of production are labor, capital, land, and entrepreneurship. It also needs to optimize the use of these resources because, at any given point in time but not over time, the resources available are limited. Households or associations of households that take the form of corporations or some other type of institution provide these resources. In this process, human capital plays a key role as it affects not only the quality of the labor force, but the manner in which these resources are used to obtain the desired production to cover the basic needs.

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9. In economics land captures all natural resources, labor includes the work time and work efforts that people devote to producing goods and services. This includes both physical and mental efforts. The quality of this work depends on human capital. Capital includes tools, instruments, machines, buildings, and other constructions that business use to produce goods and services. It does not include financial capital (money, stocks, bonds, or any other type of financial instruments) because, although they enable people and business with financial resources, they are not use to produce goods and services. In this sense they are not productive. Finally entrepreneurship is the human resource that organizes all the other resources. It is the resource that coordinates the ideas generated about how and what to produce, make business decisions, and bear the risks that arise from these decisions.
10. Human capital is generally understood as the physical and technical efficiency of the population. For a clear presentation human capital and the family see Becker (1991.)
Table 1
How does the Family Fit in the Economy?

<table>
<thead>
<tr>
<th>Basic Activities</th>
<th>Means Used</th>
<th>Role of the Family</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Resources and</td>
<td>Human Capital</td>
<td>Basic Needs</td>
</tr>
<tr>
<td></td>
<td>Optimization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange</td>
<td>Market</td>
<td>Human, Moral, Social Capital</td>
<td>Income and Profit</td>
</tr>
<tr>
<td>Consumption</td>
<td>Buying power and</td>
<td>Appropriate distribution</td>
<td>Wellbeing (welfare)</td>
</tr>
<tr>
<td></td>
<td>Distribution</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In order to obtain the income or retribution for their contribution of resources, each person and/or institution need to exchange. This exchange takes place in the market.\textsuperscript{11} In order for the market to last, a necessity to exchange and some basic economic institutional and structural conditions, such as competitive terms of trade or openness to trade, need to exist. It also requires other fundamental features such as trust, communication, order, and political stability need to be present as well.\textsuperscript{12} It is for this reason that human, moral, and social capitals play a fundamental role.\textsuperscript{13} How and which goods and services get produced and how those contributing with their resources are paid depend on the choices made by those producing them. When income and profit are not obtained, the production is typically stopped and often, corrupted structures of individuals and institutions take over.\textsuperscript{14}

\textsuperscript{11} Here the market is understood as any arrangement that enables buyers and sellers to get information and to do business with each other.

\textsuperscript{12} Fukuyama (2000), Kliksberg (2000), and Sen (1998)

\textsuperscript{13} For a definition of human capital see note 9. Social capital has been defined in several ways. One definition that encompasses most of them is “an instantiated informal norm that promotes cooperation between two or more individuals. These norms can range from a norm of reciprocity between two friends, all the way to complex and elaborately articulated doctrines like Christianity and Confucianism.” (Fukuyama (2000, p.3.) Human capital is generally understood as the physical and technical efficiency of the population. For a clear presentation of social capital see Fukuyama (2000) and for human capital and the family see Becker (1991.) Already Coleman (1999) in his seminal paper on social capital had emphasized both the interrelation that exists between social and human capital as well as the fundamental role that the family plays on their development. Specifically, Coleman states: “But there is one effect of social capital that is especially important: its effect on the creation of human capital in the next generation. Both social capital in the family and social capital in the community play roles in the creation of human capital in the rising generation. (p. 109)”

\textsuperscript{14} Recession, capital flight, black markets, and other type of disruptions in the economy are typical feature of political and economic instable in developing countries.
To consume, one needs first to obtain goods and services. To obtain these goods and services, one needs buying power and a distribution system that will allow consumers to reach them. The distribution of buying power typically takes place through income and profits, but it is redistributed. There are three ways this transfer from one person to another takes place: by voluntary payments, by theft, or through taxes and benefits organized by the government. In addition to history, nature, and luck, each player in the economy influences how the redistribution will take place by the way they behave and the way they vote.15 Thus, for an appropriate distribution to take place, i.e., for this distribution to actually meet the needs of the family and by doing so to contribute to both the welfare and wellbeing of its members, a fair and equitable distribution system for goods and for buying power are fundamental. It is within the family and through its influence that it exercises in the decision process of individuals, that this appropriate distribution is ensured or disrupted.16

The grounds on which capitalist theories have defended private property have been the economic agent's work. These theories propose that because it is a given economic agent who carries out work, he is therefore the owner of it. Thus, they conclude, he has the right to keep and enjoy its fruits. However, this justification is incomplete, since no one could work having not first received some type of education and/or training. Furthermore, no one can work without the help of others. Thus, to same extent, any input of production or product, is not the economic agent's alone. Other members of that society have rights upon the same product, beginning by the members of his family. This implies that while it is possible to find support for the right to private property based on a person's work, it does not mean that this right is absolute. Private property encourages production and belongs to someone, but the product of this property transcends the owner since he does not work in isolation or for himself alone.

Using the previous analysis, we can understand why several elements of the economy degenerate if they are not ordered towards the family: What is the motivation to work without a family? What is the point of an economic agent saving or investing beyond retirement (i.e. future

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16 Elsewhere I have argued that it is within the family that the need for distribution is mainly felt and that it is for this reason that it is through the family that the economy transcends the mere individual level. Distribution within the family is usually carried out through the women. One can see, therefore, the importance of the women’s role in the economy. Woman, because of her characteristics, has the capacity to distribute goods in a just manner, according to the specific needs of each member of the family. This is an important idea when thinking on income distribution theory and policy as well as on sustainable real economic development. See Aguirre (2001).
consumption) or even death without the family? What moderation would there be in consumption and spending if there were no family? What is the role of government if not to meet, at least in a subsidiary manner, the needs of the family? An economy that is based exclusively on profit and selfish individualism could be successful for a period of time, but it would not last (among other things because it will not produce enough population which without, no economy is possible). It is man, the economic agent, that works, and he naturally belongs to a family. Since it is also the case that man develops within the family, then it follows that he, as the economic agent, will be better fitted to contribute the most to society and vice versa when the family is being promoted by the economy in which he works.

So far we have seen that family consumption needs give rise to economic activity, and that the families affect economic production, exchange, and consumption by the influence that it exercises on each of its members. At the same time, as the members of these families contribute to the economy, private property and other institutions and services such as factories, health and hospitality services, housing, education, social securities, national security, etc., develop so as to complement and meet the needs of these families. Therefore, if we are to understand any economic issue, the way in which that given issue affects the family as a whole or a given member of it must be evaluated carefully. This is directly and indirectly the most important reason for economic activity.

III. Socioeconomic Implications

Today, there is a large body of scientific evidence that clearly indicates human beings develop in the best way within a family that is functional, i.e., with his biological or adoptive mother and father in a stable marriage.\textsuperscript{17} The academic and social performance of a child is very closely related to the structure of the family in which he lives and this is important for the quality of the human and social capital.\textsuperscript{18} The psychological stability and health of a child is closely related to healthy families and this is important for worker’s productivity and government finances.\textsuperscript{19}


\textsuperscript{19} Among other see Houseknecht and Sastry (1996), Evans \textit{et al} (1997), Sun (2001), Kubrin (2003), and
Social science research also shows that the breakdown of the family is a symptom of a sick and weak society. Women abuse is twenty five times more likely to occur in irregular families and children abuse is six times higher. Men who have witnessed domestic violence are three times more likely to abuse their own wives and children. Non-maternal care increases children’s aggressive and violent behavior and substance abuse and teen-age pregnancy are higher in broken families.

In addition, a broken family breeds poverty. Families, women and children of broken families, have a higher probability of living in poverty. Figure 1 to 3 present the percentage of families, women, and children in poverty by race and family structure for the U.S. In all cases single parents are significantly worse off than marriage couples. This is especially revealing, as with the case of the U.S. one can make a parallel between races and levels of education and income. In general, whites are better educated and have a higher income than blacks. Hispanics, on the other hand, often not only do not command the language but they are illegal. This is reflected on their level of education and income.

Figure 1
Percentage of Families that are in Poverty by Family Structure and Ethnicity, 2002


20. U.S. Department of Justice (1998). McCloskey (2002) reports that in the United States, the mothers and children not living in a traditional family were particularly vulnerable to abuse: "41% of the Anglo and 48% percent of the Mexican-American women had ever been married to their abusive partners." Data available for other developed countries report the same trend.
It is true that the European countries, which have various family support and income maintenance programs in place show a less damaging povertization of women and children as a consequence of family breakdown. However, this fact is only an indication of the effectiveness of these programs to lighten the effect of povertization of women and children. They have yet to
solve the social problems that the breakdown of the family brings as well as the financial burden that imposes in government finances.\textsuperscript{26}

In fact, empirical evidence shows that when the family is disrupted, the individual and social costs are very large.\textsuperscript{27} Furthermore, experience of many years of population control policies has lead many developed countries to serious finance problems.\textsuperscript{28} Figure 4, depicts the welfare expenditures of some developed countries \emph{vis a vis} the foreign debt from the two largest debtor countries and Taiwan. Welfare expenditures include all social programs plus social security pensions.

![Figure 4](image.png)

\textbf{Figure 4}

\textbf{Developed Countries Welfare Expenditures vs Developing Countries Debt in 2002}

The combination of social security plus family and health welfare expenditures for developed countries were on the order of $2,120 billion dollars for the U.S., $728 billion for Germany, $462 billion for France, and $393 billion for the UK, in 2002.\textsuperscript{29} Brazil, Mexico, and Nigeria’s expenditures are smaller but significant considering the size and economic conditions of these countries. It is instructive to note, that the

\begin{itemize}
  \item \textsuperscript{26} Farley (1995) presents detailed data.
  \item \textsuperscript{28} An extensive study of the effects of aging population on the public pensions of developed countries can be found in Chand and Jaeger (1996.) Also see UNFPA (1998), which is dedicated to this topic, and Longman (1999). Japan and some countries in Western Europe are already in crisis.
  \item \textsuperscript{29} Social security expenditures in the U.S. constitute 27\% of this amount, while for France is 25\%, for Germany is 21\%, and for the UK is 17\%. (OECD Statistics)
\end{itemize}
welfare expenditures for the U.S., Germany, France and the U.K. are bigger than any of the less developed countries' foreign debts, which is particularly interesting in light of the difficulties these countries have in repaying these debts. With the exception of the U.S., these developed populations are significantly smaller than the developing countries of Mexico, Brazil, or even Nigeria. For example, as shown in Figure 4, the U.S. welfare expenditures are nine times the foreign debt of Brazil, the largest debtor, and 58% bigger than Brazil's 2002 GDP. Similarly, it is eleven times the foreign debt of Mexico and 2.3 times the size of Mexico’s GDP. Nigeria’s debt, the second largest in Africa, equals 68.2% of its own GDP but is still more than eight times smaller than Brazil’s debt, yet Nigeria still finds it difficult to pay off the debt despite its oil exports. U.S. welfare expenditures are sixty-six times Nigeria’s debt.

Even after adjusting for the difference in population sizes, the combination of social security plus family and health welfare expenditures for developed countries remain much higher than the debt of these developed countries. Population in the U.S. (288 million) is only 1.65 times that of Brazil (174 million), 2.87 times that of Mexico (100.5 million), and 2.44 times that of Nigeria (117.8 million). The population in the UK (58.9 million), France (59.6 million), and Germany (82.3 million) is roughly less than half the size of the population of Brazil. When analyzed in per capita terms, the numbers are more revealing, welfare expenditures per capita are $8,850 for Germany, $7,750 for France, $7,360 for the US, $6,670 for the UK, $1,440 for Brazil, $700 for Mexico, and $140 for Nigeria.

It is obvious that developed countries are unable to afford expenditures of such magnitude. These numbers demonstrate why it is very important for all countries, but especially for developing countries to protect its family and its population. Their present economic situation does not allow for the same mistakes that developed countries made and are now trying to repair. If these countries are to experience real economic growth, both their family and their population ought to be protected from breakdown and implosion respectively.

IV. The Status of the Family in Developing Countries

The family faces serious health and poverty problems, especially in the developing world. They often lack income and assets to attain basic needs: food, shelter, clothing, and acceptable levels of education and health. They lack access to human assets, as they do not have skills and training and at times even good health. They also lack access to natural assets such as land. With the expansion of urban population, the poor and the near-poor, often live in crowded urban settlements.
They often do not have access to infrastructure or physical assets such as housing, sewers, electricity, etc. as well as to financial structures such as savings and access to credit. They also have diminished access to social assets, such as networks of contacts and reciprocal obligations that can be called on in time of need, and politician influence over resources. Finally, they are without aging security, as they have no access to sound social security systems. In most developing countries, the social security system is provided by the families, yet, these are becoming smaller as population control polices are imposed in these countries either by their own governments or by developed countries. Furthermore, these policies are often targeted to the poor as they are considered the ones in most need of such policy. Access and the return to these assets not only depend on the behavior of the market, but also on the performance of governmental and private institutions. The performance of them, in turn, is closely link to human, moral, and social capital. These problems make families in developing countries highly vulnerable to adverse shocks, as they are unable to cope with them.

Table 2 presents an overview of the environmental primary health, welfare, and living conditions in low-income countries as compared to Developed countries. Two characteristics are clearly shown: 1) developing countries population live under much worse conditions than developed countries and 2) the type of access available to the different service, for the most part,
is of better quality in developed countries. Close to 50% of the population in developing countries lacks basic water and sanitation. Although access to improved water and sanitation fair better than house connections, they are still below the population access of developed countries by almost 40%. Improved water is significantly higher in urban cities than in rural areas and access to affordable essential drugs has improved significantly but still, developing countries fall behind developed countries.

Table 2
Environmental Health, Welfare and Living Conditions in Low Income Countries vs Developed Countries, 2001

<table>
<thead>
<tr>
<th>Indicator</th>
<th>% of population with access</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Developing Countries</td>
</tr>
<tr>
<td>House Connection: water</td>
<td>48</td>
</tr>
<tr>
<td>House Connection: sewerage</td>
<td>46</td>
</tr>
<tr>
<td>House Connection: electricity</td>
<td>62</td>
</tr>
<tr>
<td>Water consumption (liter per person)</td>
<td>30</td>
</tr>
<tr>
<td>Improved water (rural/urban)</td>
<td>69/92</td>
</tr>
<tr>
<td>Wastewater treated</td>
<td>29</td>
</tr>
<tr>
<td>Solid waste disposal: landfill or incinerated</td>
<td>31</td>
</tr>
<tr>
<td>Solid waste disposal: other (dump, recycled, etc.)</td>
<td>66</td>
</tr>
<tr>
<td>Improved Sanitation</td>
<td>77</td>
</tr>
<tr>
<td>Affordable essential drugs</td>
<td>69</td>
</tr>
<tr>
<td>Under-five mortality (per 1000)</td>
<td>107</td>
</tr>
<tr>
<td>Public Expenditures on Health (%GDP)</td>
<td>1.3</td>
</tr>
<tr>
<td>Paved Road</td>
<td>19</td>
</tr>
<tr>
<td>Telephone mainlines (per 1000)</td>
<td>87</td>
</tr>
<tr>
<td>Cellular subscribers (per 1000)</td>
<td>75</td>
</tr>
<tr>
<td>Internet access (per 1000)</td>
<td>26.5</td>
</tr>
<tr>
<td>Literacy</td>
<td>49</td>
</tr>
</tbody>
</table>


Paved Roads as well as access to water and electricity are an important part of rural and market development. Developing countries a access is very low in paved road access but it fairs better in access to electricity. However, this level of access is mainly in urban and not in rural areas. When telephone and cellular accesses are considered, we find that about 8% of the population has access to these means of communication. However, when looking at these statistics over the past ten years, one can see a trend towards the expansion of cellular phones.
over telephone landlines.\textsuperscript{34} Developing countries are moving directly into wireless services, which, in turn allows them to access the Internet without the need of a large infrastructure. In China, for example, it is estimated that about 480 million youth will have access to the Internet before 2005. This implies access to a wealth of information that before was banded or nor available for a large part of the population in this country. Yet, while these means provide access to information, education, and potential markets and, in doing so, open new opportunities for economic growth, for it to be sustainable infrastructure is required. Developing countries have still significant portions of population without access to it.

The family faces serious health problems, especially in the developing world due to infectious diseases and poor quality health programs and sanitation access.\textsuperscript{35} The main health risks and causes of death for man and woman are:\textsuperscript{36}

- Cardiovascular diseases (kills 16.7 million per year)
- Malignant neoplasms (cancer) (kills 7.1 million per year)
- Injuries (kills 5.2 million per year)
- Respiratory diseases (kills 3.7 million per year)
- Perinatal conditions (kills 2.5 million per year)
- Respiratory infections (kills 3.9 million per year)
- HIV/AIDS (5 million new cases and kills 2.8 million per year)
- Diarrhoeal Diseases (kills 1.8 million per year)
- Tuberculosis (TB) (8 million new cases and kills 1.8 million people per year.)
- Malaria (300-500 million new cases and kills 1.2 million per year)
- Maternal condition (kills 540,000 per year)

With the exception of the first three and HIV/AIDS, these diseases are rare and treatment is accessible in developed countries at a remarkably low cost. (Table 3). WHO (1999a) reports that the majority of deaths from infectious diseases can be prevented with existing cost-effective strategies. Bednets can prevent 50\% of all malaria deaths; Directly Observed Treatment (a short course) can prevent 60\% of all TB deaths; and oral rehydrations therapy can prevent up to 95\%\textsuperscript{34}. Developing countries access per 1,000 people to cellular phone was almost null for Developing countries in 1990. Telephone mainlines access, on the other hand was 6 and 21 respectively. (WHO (2003), Table 11.)\textsuperscript{35} The “burden of these diseases is highest in deprived areas where there is poor sanitation, inadequate hygiene and unsafe drinking water.” WHO (1999b), chapter 2, p.2.\textsuperscript{36} WHO (2003), Annex Table 3. The diseases are presented in order of magnitude.
of deaths from diarrhoeal diseases. Most of those who died due to diarrhoeal diseases are children. Furthermore, the cost of treatment per capita of malaria is $5 cents, for TB is $60 cents and for diarrheas is $1.60.

Table 3
Low Cost Effective Interventions
Cost of Treatment and (Annual Cost per Capita)
U.S. dollars

<table>
<thead>
<tr>
<th>Treatment</th>
<th>Costs</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemotherapy for TB (6 months)</td>
<td>$20.00</td>
<td>95%</td>
</tr>
<tr>
<td></td>
<td>($0.60)</td>
<td></td>
</tr>
<tr>
<td>Contraceptives (HIV)</td>
<td>$14.00</td>
<td>99%</td>
</tr>
<tr>
<td></td>
<td>($1.90)</td>
<td>(85%-95%)^1</td>
</tr>
<tr>
<td>Hydration salts for Diarrhea</td>
<td>$0.33</td>
<td>95%</td>
</tr>
<tr>
<td></td>
<td>($1.60)</td>
<td></td>
</tr>
<tr>
<td>Pneumonia Antibiotics (5 days antibiotics)</td>
<td>$0.27</td>
<td>High</td>
</tr>
<tr>
<td>Measles (1 douses of vaccination)</td>
<td>($0.50)</td>
<td>98%</td>
</tr>
<tr>
<td>$0.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaria</td>
<td>$10</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>($0.05)</td>
<td></td>
</tr>
</tbody>
</table>

Sources: CDS, WHO
1. Although WHO reports an effectiveness of 99%, the literature reports lower results.

Gallup and Sachs (2000) have estimated that malaria alone has wiped $74 billion from the economies of 31 African countries between 1980 and 1995. The productivity of a worker with malaria is reduced by 60% and to this must be added indirect costs associated with the disease such as hospitalization. This same study argues that if the rich countries were to provide $1 billion a year for an indefinite period, they could help pay not just for drugs, insecticides, and bed-nets, but also for a fund that could be drawn upon once any malaria vaccine were developed. The economic gains of such investment for sub-Saharan Africa’s combined gross domestic product (GDP) would be between $3 and $12 billion a year. It is also known that 75% of TB infections and deaths occur in the 15-54 year age group, which economically is the most productive group in the population. A treatment course costs only $20; successful treatment returns productive people to jobs and to normal life in the community.37

AIDS, which places seventh among the leading causes of death, has captured the attention and the funds of almost the entire world. Although the number of cases is high, it is

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significantly lower than the reported new cases of malaria and tuberculosis every year. According to the 2003 UNAIDS report, the main modes of the transmission of this disease vary across regions and are mainly three: homosexual activity, injected-drug-use, and heterosexual activity.\(^{38}\) This means that, in most cases, transmission of AIDS is a matter of behavior and, high-risk behaviors should be discouraged and replaced by healthier lifestyles. Furthermore, it means that without addressing that behavior, the response to prevention strategies will always be limited, as proven by Uganda.\(^{39}\) It was not until the ABC program was implemented that Uganda began to make significant strides in reducing the spread of AIDS.\(^{40}\) Clearly, the $1.60 per capita cost of condoms was put to more effective use. In fact, the statistics indicate what few officials are willing to admit, that the AIDS epidemic is a crisis of shattered mores, where sexuality is no longer guided by traditional norms but promiscuity. The message is clear: the

\(^{38}\) While in developed countries, Central Europe and Central Asia, and South Asia transmission is mainly due to homosexual activity and injected-drug-use, in the other regions this is not the case. In fact, the principal source of the spread of HIV is heterosexual transmission and poor health services with the exception of China, where the main cause is injected-drug-use and blood transfusion. (UNAIDS, 2003) The use of condoms does not solve either injected-drug-use or blood transfusion or heterosexual transmission when the one infected is the men.

\(^{39}\) Although condoms give the best protection against HIV, the risk of infection is reduced by 87% for men, the risk reduction for women is not as high because of physical differences. David and Weller (1999) point out that while the principle is the same in both HIV and pregnancy prevention, important differences prohibit the simple assumption that condoms will perform as well for HIV. First, there are more routes of transmission for HIV, second HIV can be transmitted at any time of the woman’s cycle, and third, HIV particles are smaller than the male cell and can easily leak through condoms. Thus, they recommend for the prevention of sexual transmitted HIV infection abstinence or long-term monogamy with a seronegative partner (For a complete list of references on this evidence see the same article.) In addition, it must be added that certain condoms increased the risk of HIV infection on women because of the use of certain chemical components such as nonoxinol-9, which diminishes the immune system and cause vaginal infections (UNAIDS, 1996). This explains why the use of condoms in developed countries have been, to some extent, successful in decreasing the rate of spread of AIDS but it has not been the case in developing countries and China, in fact it has made it worse. Condoms in cases of heterosexual transmission when the one infected is the man do not help but only fosters more promiscuity. For a more detailed analysis see Green (2003).

\(^{40}\) The ABC program emphasizes and encourages abstinence and marital fidelity rather than the use condoms. It is relevant to note, that before Uganda incorporated the ABC program, the country had a wide spread of condom supply. In spite of this, AIDS continued to spread rapidly during this period. Studies show that from 1991 to 2001, HIV infection rates in Uganda declined from 15% to 5% and among pregnant women, HIV prevalence dropped from 30% to 10%. (Ministry of Health of Uganda (2001)).
only way to avoid acquiring HIV through sexual contact is abstinence from sexual involvement or restricting sexual activity to a mutually faithful, monogamous, life-long relationship with a similarly uninfected heterosexual partner. In most cultures and for all recorded history, this relationship is known as marriage.

A worker with AIDS costs business in sub-Saharan Africa around $200 a year in lost productivity, treatment, benefits and replacement training, i.e., about a year’s salary, and the cost for treatment is approximately 10% of the GDP. A number of economic studies also conclude that the AIDS epidemic is slowing the pace of economic growth and depleting the wherewithal to deal with the leading causes of death such as diarrhea, malaria and tuberculosis.

Majority of deaths due to maternal conditions are caused by poor access to health care. Most of these maternal deaths occurred in developing countries (mainly Africa and South East Asia) and account only for 1.9% of female’s deaths. For the most part, they could have been avoided with a simple delivery kit package or medical attention (the cost per package is $1.60).

V. Solutions Often Proposed

The positive correlation between human capital and economic growth, infrastructure and economic growth, healthy institutions and economic development, as well as health and income per capita, are well-known relations in international economic development. These correlations are commonly thought to reflect a causal link running from human capital and infrastructure to economic growth, from healthy institutions to economic development, and from income to health. Recent economic analyses, however, indicate that human capital is essential to both, the development of healthy institutions (social capital) and for infrastructure and technology to allow economic development. Furthermore, these economic analyses also indicate that health status (as measured by life expectancy) is a significant predictor of subsequent economic growth as it contributes to human capital growth.

The approach that international organizations have taken towards dealing with the problems of poverty and lack of economic development that families face in developing countries
countries have been outlined, among other places, in the eight UN Millennium Development Goals defined in the UN Millennium Declaration. These include:

1. **Eradicate extreme poverty and hunger**
   - Reduce by half the proportion of people living on less than a dollar a day
   - Reduce by half the proportion of people who suffer from hunger

2. **Achieve universal primary education**
   - Ensure that all boys and girls complete a full course of primary schooling

3. **Promote Gender Equality and Empower Women**
   - Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015

4. **Reduce child mortality**
   - Reduce by two thirds the mortality rate among children under five

5. **Improve maternal health**
   - Halt and begin to reverse the spread of HIV/AIDS
   - Halt and begin to reverse the incidence of malaria and other major diseases
   - Reduce by three quarters the maternal mortality ratio

6. **Combat HIV/AIDS, malaria and other diseases**
   - Halt and begin to reverse the spread of HIV/AIDS
   - Halt and begin to reverse the incidence of malaria and other major diseases

7. **Ensure environmental sustainability: land and air**
   - Integrate the principles of sustainable development into country policies and programs; reverse loss of environmental resources
   - Reduce by half the proportion of people without sustainable access to safe drinking water
   - Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020

8. **Develop a global partnership for development: development assistance and market**
   - Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction—nationally and internationally
   - Address the least developed countries’ special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction
   - Address the special needs of landlocked and small island developing States
   - Deal comprehensively with developing countries’ debt problems through national and international measures to make debt sustainable in the long term
   - In cooperation with the developing countries, develop decent and productive work for youth
   - In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
   - In cooperation with the private sector, make available the benefits of new technologies—especially information and communications technologies

Two of the main means promoted to achieve these goals have been population control and the support to popularize the use of condoms as a means of managing the crisis of AIDS and poverty. Proponents of these means contend that this leads to "safe sex."  

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47. Examples supporting this assessment are numerous but a good summary is given by Dr. Nafis Sadik, UNFPA Executive Director who stated that “UNFPA’s work is guided by the Cairo agreement, which called governments to provide universal access to reproductive health by 2015, especially family planning.” UNFPA, Press Release, POP748. Similarly, USAID spent a total of $848 million on domestic and international HIV/AIDS programs -- including research, surveillance, interventions, and evaluation and another $871 million in 2002.
Population control has been mainly promoted, as previously mentioned, on two main premises: the existence of an inverse relationship between population growth and development derived from the law of diminishing returns as proposed by Malthus (1798), and the Neo-Malthusians view which see people as destroyers of resources and violators of environmental limits. The basic argument of these positions can be reduced to four main points. First, rapid growth in population means the spread of poverty and rapid growth aggravates conditions such as poor health, malnutrition, illiteracy, and unemployment. Second, population threatens government stability in developing countries and encourages confrontation between developed and developing countries. Third, population pushes future generations to scarcity, and an unsustainable environment carrying capacity. Fourth, population growth is a symptomatic of the larger problem of women's oppression—the more children a woman has, the less opportunity she has for her own self-actualization and development.

In summary, assuming a fixed level of resources, this position predicts a decrease in per capita income in two ways: 1) more consumers divide any given amount of goods, and 2) each worker produces less because there is less capital, private and public, per worker. In addition, the growing number of young children poses an additional burden in the reduction of consumption because they consume but they do not produce. Finally, population growth hinders economic growth because, by reducing savings and education, it reduces investment. A key assumption of this theory is the ceteris paribus condition where resources are given and therefore constant. The problem, of course is that the scientific evidence points in the other direction, suggesting that economic theories used to support population control policies are unfounded and

48. This argument was incorporated in the 1974 UN Bucharest Document.
49. This argument is clearly stated in the Memorandum 200.
50. This argument was incorporated in the 1992 UN Rio Document.
51. This argument was incorporated, among other documents, in the UN 1994 Cairo and 1995 Beijing Documents.
52. For more details see note 1.
53. Analyses at both levels suggest that there is no statistically proven simple relationship between population growth and economic growth, population size and economic growth, population size and resources, or population growth and environment. The absence of a correlation contradicts the conventional Malthusian deductive conclusion. The only persuasive argument in the face of this absence of correlation, as Simon (1996b) points, is a plausible scenario in which one or more specified variables that have been omitted from the analysis would, in fact, lead to a negative relationship between population growth and economic growth. Thus, results suggest that population growth is not the only relevant variable for development and thus, empirical evidence suggests that Malthus' dynamic growth theory has failed. These works include Denison (1985), Rosenberg and Birdzell (1986), Scully (1988), Barro (1989), Simon (1992), Birdsall (1995), Eberstadt (1995), and Agenor and Montiel (1999), and Aganor (2000).
do not do much for the development of less developed countries. On the contrary, empirical results suggest that it hampers their most important resource: population, and sets countries on a path towards a population trap.

A growing proportion of the retired population compared with the active working population characterizes an aging society. The reversal of the age pyramid affects several countries today, developed countries mainly although developing countries are beginning to be affected as well. The causes of the present aging population are complex. Some sources have been found in the living conditions and socio-cultural changes. Among these are included:

- Decreased infant mortality.
- Sharply increased mean age at which women first give birth.
- Labor codes that do not facilitate women’s desire to harmoniously integrate their family life and professional activity.
- In developed countries, a widespread attitude that keeping a certain quality of life is more important than having children posing a paradox that Wattenberg describes in *The Birth Dearth*: “In the wealthier age of history many youth say that they can not afford to have more than two children.”
- A divergence between pessimism and hope experienced by the population.

Implosion and the consequent aging in population bring with them serious problems for developed and even more so for less-developed and developing countries. Some of these problems include:

- A smaller population needs to support an aging population that is less active and has a greater need of healthcare and medical services. If one adds to this the fact that most social security systems are predominantly of the pay-as-you-go type, the absence of younger generations endangers the possibility of supporting the elder population.
- Saving rates are affected by a society's age structure, mirroring the change in an individual's saving rate over the life cycle. This, in turn affects investment.

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54. It has been almost fifty years since China implemented its one child policy. Yet it was not until China began to open its economy that its gross GDP showed steady growth.54 Similarly, life expectancy has increased. Infant mortality has decreased more than 64% since 1970, malnutrition has been reduced by more than 20%, and the number of children receiving vaccination has increased by 79%. Alphabetization among adults has increased from 48% to 85.8% between 1970 and 2001. Primary education has increased from 60% to 97% while secondary education has moved from 45% to 70% during the same period, while tertiary education reached 54%. Once again, the main improvements have taken place since the middle to late 1980s, when China had begun to implement policies that foster a more opened and market economy.

55. See footnote 28. In resent years we have witnessed the centrality that social security took in elections all over the world. The debate was not about whether to fix Social Security but on how to fix it. Equally, in the EU a heated battle is being joined on several fronts. Germany has undergone a reform that reduces government-provided retirement benefits while encouraging private savings. France has begun the implementation of a restructure of their pension system, and the EU is debating how to make pension funds more attractive in all 25 of its member nations.
• Solutions proposed to alleviate the situation include resorting to euthanasia. In fact, some EU countries have already legalized it.
• Within the active population there is a tension between the young and the somewhat older people, as the latter try to protect their jobs while younger generations enter into reduced job markets.
• An impact on education: in order to provide for the economic burden of the elderly, there is a great temptation to cut down on the money allocated for the training of new generations. Consequently, the transmission of cultural, scientific, technical, artistic, moral and religious common goods is thereby endangered.
• Danger of ‘moroseness’, or a lack of intellectual, economic, scientific, and social dynamism and reduced creativity, resulting in systemic stagnation.
• The problem of increasing illegal immigration into population imploding countries accompanied with a significant impact on the countries receiving this large immigrations.\textsuperscript{56}
• Increasing loneliness among the population because of small families and reduction of extended family (Eberstadt, 1995).

It is clear that the promotion of population control to obtained sustainable economic development will not help solve any of the above problems but rather worsen them.

The cost of malaria to African countries is 1-5\% of GDP.\textsuperscript{57} Direct and indirect costs of malaria in sub-Saharan Africa exceed $2 billion. The World Bank lending at the end of 2003 amounted to $300 million for malaria and $560 million for tuberculosis. The WHO funds allocated for these diseases totaled $369 million in 2002- 2003. At the same time, the World Bank allocated $1.5 billion in grants, loans and credits to fight HIV/AIDS over the past five years. The cost of antiretroviral regimens has decreased significantly ($12,000 per year to $500) in the past five years thank to the efforts of many institutions providing affordable medicines to those who suffer of HIV/AIDS in developing countries. Although malaria and tuberculosis constitute a much larger problem for the economies in many developing countries, these diseases are systematically left at the margin when comes to actual funding. None of the amounts allocated for malaria or tuberculosis compare to the annual population assistance levels of $2 billion a year. Yet, scientific data reports that access to family planning increases both adults and sexual promiscuicy and use of condoms increases the risk of contracting AIDS.\textsuperscript{58}

\textsuperscript{56} Europe is a prime example of this.
This misuse of funds does not only affect health but also other fundamental elements of economic growth. Figure 5 depicts the expenditures on grant-financed development activities of the UN system between 1990 and 2001. While population assistance has significantly increased, expenditures on grant-financing allocated towards transportation, science and technology, energy, employment, industry, and trade and development expenditures initiatives have decreased significantly.

Figure 5
Expenditure on Grant-Financed Development Activities of the United Nations System by Sector (Percentage of total)

Source: Compiled from Comprehensive Statistical Data on Operational Activities for Development, years 1990-2003.

The contrast is even more striking when the use of grant-financed development activities on education versus population are examined. (Figure 6). As previously mentioned, such a misallocation of funds directly hampers human capital and, in doing so, it hampers economic development. This simple change in allocation of funds would save billions of dollars in countries across the world that could be allocated, instead, towards the increase of human capital (education), basic infrastructure and health services, among others.
Developed countries seem to be realizing the consequences that the breakdown of the family has had in their society. Therefore, they are seeking out policies that will help reverse this trend. They seem to know that redistribution of income towards the victims of such disruption is not enough, thus they have begun to develop and implement legislation that supports families *vis a vis* other types of arrangements. Great Britain for example, in the 1999 released a report entitled *Supporting Families*, advancing a proposal to create an Institute for Family and Parenthood to advise parents in matters regarding the education of children. It also proposed the elimination of the 24 hour-notice of civil marriage and the introduction of preparatory classes, so as to encourage couples to become aware of their right and duties in marriage. Similarly, the U.S. has supported a marriage initiative, which aims at strengthening marriages by preparing couples to marry and by assisting those who are in need.

France has also shown a significant shift in family policies, which are directed to reinforcing family supports. For example as of 1999, all families with at least two children receive family subsidies independent of their income level. It also extends child-support to parents to 19 years of age, or 20 if the dependent is a student. It also expands credits and subsidies for family housing. Holland and the U.S. have both introduced, as a labor right,
parental leave for family needs, thus giving rise to ‘family days’ benefits. The goal is to facilitate parents balancing their family as well as their work obligations. In summary, we can say that industrialized economies as a whole have been supporting new efforts to reverse the negative effects of the weakening of the family and reinforce this basic unit of society.

At the private sector level, businesses are also responding to the need of strengthening the economy. They feel first hand the consequence of its disruption. Some of these initiatives include systems of flexible working hours for men and women, work sharing, the provision of facilities so to allow women to work from their home some days of the week, in house child care, and the extension of maternity leave with an option to work on a part-time basis for some additional time.

VI. Helpful Initiatives in Developing Countries

1. Microcredit

Microcredit, the provision of small loans to the poor is a development approach that has gained increased attention in the past two decades. Some microfinance institutions or organizations, including the often-cited ACCION International in Latin America, Grameen Bank in Bangladesh, and Bangladesh Rural Advancement Committee (BRAC), have been providing credit since the mid-1970s or early 1980s. Only in the last decade or so, however, has the popularity of microcredit as a means of fostering development attracted significant energy and resources from high profile donors. Among these donors are governments, through the support of bilateral development agencies, as well as multilateral sources such as the United Nations (UN), the World Bank, regional development banks, and international NGOs (Figure 7).

59 Women work more hours than men in both developed and developing countries and spent more hours in non-market activities, mainly their homes. The 2003 Human Development Report indicates that on average, women in developing countries work at least 20% more hours per day than men and they allocate about 60% of their time towards the family. In developed countries, the difference is 5% but they still allocate 64% of their time towards they family.

60 It is worth noting that the European Union Parliament has denied homosexual couples the right to married and to adopt children, in this manner sending a clear message of support towards protecting marriage and children.

61 The "poor" are generally identified as those persons living below the poverty line established by a country and the "poorest" or "very poor" are those at the bottom 50% of that group. These definitions, cited in the Microcredit Summit Declaration, have been determined by the Policy Advisory Group of the Consultative Group to Assist the Poorest (CGAP).
'Give a man a fish, feed him for a day. Teach a man to fish, feed him for a lifetime.' Microcredit services are targeted to the poor who, because of the expense of small transactions or because they lack collateral, literacy or other requirements, do not have access to the financial services provided by formal banks and other formal financial institutions. The lack of economic opportunity caused in part by the lack of access to credit and formal financial services, is a serious hindrance to initiatives made by the poor to improve their families’ quality of life and to overcome dependency. By supporting their own initiatives, microcredit provides opportunity to these families and in the process, allows them to gain both economic and personal development. It also helps them manage risk and smooth consumption in the face of sharp fluctuations in agricultural yields and prices, economic shocks, and even natural disasters. Thus it becomes a valuable means to facilitate the development of human and social capital.

In developing countries, this poorest group without access to formal economic opportunities is predominantly women. Initially, many microcredit institutions and donors focused their lending primarily to women borrowers, however it soon expanded to married men. Microcredit impact studies have shown that resources in the hands of women are more likely to be used for the benefit of the household than resources in the hands of men.\footnote{Some of the studies supporting this evidence include Pitt and Khandker (1998) and Todd (1996).} This suggests that there are valid arguments that targeting microcredit to women borrowers more often results in the greater benefit of the whole family.

\footnote{Some of the studies supporting this evidence include Pitt and Khandker (1998) and Todd (1996).}
Rather than temporarily providing poor persons with donor- or government-dependent (material) capital at subsidized interest rates, effective microcredit institutions, as distinct from social welfare institutions, successfully loan to the poor at market competitive commercial interest rates. They use innovative collective monitoring methods of group lending to strengthen repayment performance and charge interest rates that fully cover operational costs. While few microcredit institutions are currently viable, i.e. not heavily donor-dependent, they are moving towards this goal and they are doing this successfully.

Microcredit has shown to be a successful dollar-efficient lending method. It has effectively opened doors to low-income populations in developing countries while generating significant financial return. Figure 8 to 11 present the return to equity, the return to assets, the debt-equity and the portfolio risk ratios for several microcredit institutions in Latin America respectively. In all cases these institutions significantly outperform the Citigroup, one of the leading financial institutions in the world. While the Citigroup reported a return on equity of 20.2% in 2003, F.J. Nieborowski reported a return on equity of 80.3%. On average, Latin American microcredit institutions generated a 22.3% return on equity (Figure 8). Similar results can be found for the Return on Assets (Figure 9). The debt/ratio reported by Citigroup in 2003 was 11.6 while the same ratio for Latin American microcredit institutions has not excided 4% (Figure 10). This last number is not surprising as one expects Citigroup to enjoy a higher credibility that this small institutions. Finally, Figure 11 depicts the portfolio at risk. While Citibank reports a low 1.4%, other microcredit institutions report lower rates and overall, they are significantly lower than commercial banks in those countries. Nevertheless, the high level of return experience by microcredit institutions has begun to attract private investors and venture capitals, thus further expanding opportunities to the poor.

Table 8
Microcredit vs Citigroup Return on Equity
Table 9
Microcredit vs Citigroup Return on Assets

Source: MicroRate Database, Sample of most profitable profiles, 2003

Table 10
Microcredit Debt/Equity Ratio

Source: MicroRate Database, Sample of most profitable profiles, 2003
Taking advantage of the close link between microcredit activities and poor borrower households, many programs also link the provision of credit access to compliance with other
social measures. In many cases, microcredit organizations require the client participation in these non-business services in order to maintain credit access. These services are designed to meet social development objectives and often include education programs in nutrition, sanitation, childcare, and family planning. Yet studies have shown that institution productivity is significantly reduced when social programs of these types are required or included. This is so because funds that otherwise could be used to help the poor through microfinance are used instead to cover overhead costs and salaries of those involved in the social programs offered, mainly NGOs. Figures 12 and 13 depict the social to financial staff of institutions by region and by institutional characteristics. They depict these effects clearly.

For the most part, Grameen Bank models typically have non-business social programs attached to their lending activities and these are required. Most of these institutions are found in Asia, some in Africa, and only few in Latin America. Figure 12 shows the ratio of social staff to financial staff by regions. Not surprisingly, the highest ratio is shown in Asia and the lowest in Latin America.

![Figure 12: Ratio of Social to Financial Staff by Regions](image)

Latin America. Similarly, Figure 13 present the same ratio but by type of institution. The highest ratio corresponds to non-governmental organizations (NGOs) as they tend to have the highest quantity of social programs attached to the microcredit operations.

Two ways in which the productivity of microcredit employees is often measured are the number of borrowers per staff (NBS) and the number of client per credit officer (NCCF). Figure 14 present these ratios by regions. Institutions that follow the Grameen Bank model capture Asia, for it in here where the majority of these institutions are operating. Consistent with previous measures, Grameen bank institutions are the least productive while Africa shows the highest productivity, followed by Latin America. One institution that, because of its characteristics, has been extremely successful biases the results in Africa. If this is removed, the results are closer to the Latin American case but still outperform it by a small margin. It is worth noting, however, that this one African institution does not follow the Grameen Bank model. Clearly, a group-lending model without attached non-business social objective programs is the most successful and efficient model of microcredit to help the poor and their families are to be helped.63

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63 Due largely to the local organization and varied structure of microcredit providers as well as to the difficulty in tracking individual client or family effects, there is no one, systematic, and broad-scale impact evaluation of
Microcredit, also has something else valuable to offer. By design, it fosters development by instigating habits that are fundamental for economic growth: responsibility, accountability, trust, market operations, education, and creativity. Because of the environment in which typically the poor find themselves, these habits are often lacking in many of the institutions they encounter or live in. Thus, by providing this opportunity, microcredit institutions effectively contribute to the building and strengthening of both human and social capital in a small yet very significant way.

While microcredit is not the answer to all the many and various problems faced by the poor, it can be said that it is a tool with real potential for helping to lift the economic resources trapped. All the same, without denying the need for a holistic approach to poverty and acknowledging that lack of access to credit is not the sole problem faced by the poor, it is not necessary to assert that microcredit programs must be the source of all types of development services for the poor. In fact, productivity measures suggest otherwise.

Microcredit programs on borrowers and/or their families. Nevertheless, household impact studies have been performed on a small number of microcredit programs, mostly in Bangladesh. Their results indicate that microcredit can foster positive benefits for the family. Sebstad and Chen (1996) review 32 studies that evaluate the impact of microcredit on household economic security, enterprise stability and growth, and individual control over resources. The 32 studies include 41 programs in 24 countries in Asia, Africa, and Latin America. For the most part, these studies measure household benefits using the tools mentioned above. Family benefits have most often been measurable in terms of increases in household income and assets as well as positive changes in household consumption patterns.
2. Heavily-Indebted Poor Countries Program

For so many years, concessional lending to the developing world has been a central point in the issue of debt, but despite all this, most poor countries could not meet their debt obligations. In the 1980s and early 1990s, strategies to ease up repayment terms for poor countries were pursued, including further concessional relief. However, it became clear that countries’ repayment problem was not temporary and that a more comprehensive solution was needed. In 1996, a new debt relief program was initiated called the Heavily–Indebted Poor Countries (HIPC). This initiative is today under the leadership of the IMF and the World Bank.

HIPC is relevant, because it is the first comprehensive approach to reducing the external debt of most heavily indebted countries, as it includes both macro-economics and social programs. Because of this, the initiative has the potential to place debt relief within an overall framework of poverty reduction. A mix of debt forgiveness and debt relief funds from creditors is activated at the completion point, i.e., when reforms are implemented correctly and a period of adequate performance is completed. It is the hope that this new approach would actually help heavily indebted countries shift from endless debt restructuring to enduring debt relief. External debt servicing has been predicted to be reduced by approximately $50 billion and the World Bank has committed itself to reduce its debt claims by nearly $11 billion.

In order to qualify for the forgiveness of debt, a country must: 1) be eligible for concessional assistance from the IMF and the World Bank; 2) face an unsustainable debt burden, beyond available debt-relief mechanisms; and 3) establish a track record of reform and sound policies through a well defined Strategy for Poverty Reduction Program (PRSP), which includes domestic macroeconomic adjustments as well as structural social policy reforms as previously mentioned.

Of the 40 countries eligible, most of them in Sub-Sahara Africa, ten have acted upon it. Of these, five countries reached their completion point by 2001 (Burkina Faso, Uganda, Bolivia, Tanzania, Mozambique) and the other five countries still in the process of implementation (Senegal, Nicaragua, Guyana, Mali, Benin). Strategies for Poverty Reduction Programs vary by country as, the initiative requires each country to delineate their own strategy. Evidence from these countries thus far indicates, that some have been more successful than others in both their macro-economic and the social policy design and efforts.

64 Among these, the Brady and the Baker Plans were the two most relevant efforts.
Table 4 presents a summary of the SPRP components followed by the countries that reached the completion point in 2001. As one can see, programs vary widely from country to country, but they center mainly around three issues: education, health, and governance. These three areas essential as they facilitate or hamper the development of human, social, and moral capital.

<table>
<thead>
<tr>
<th>Country</th>
<th>Education</th>
<th>Health</th>
<th>Governance</th>
<th>Other</th>
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</thead>
<tbody>
<tr>
<td>Burkina Faso</td>
<td>- New Schools</td>
<td>- Immunization</td>
<td>- Reduction of corruption</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Policy reform for hiring and retention of teachers</td>
<td>- Staff in primary health care facilities</td>
<td>- Training of government personnel</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>- Reduction of Illiteracy</td>
<td>- Staff in primary health care facilities</td>
<td>- Increase police and prison numbers</td>
<td>- Main road program</td>
</tr>
<tr>
<td></td>
<td>- Increase number of teachers</td>
<td>- Renovation of hospitals</td>
<td>- Job evaluation pay increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Expand technical education</td>
<td>- Increase spending on health</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bolivia</td>
<td>- Expand quality and coverage of basic education</td>
<td>- Expand the coverage of quality health</td>
<td>- Introduce pension</td>
<td>- Expand sanitary infrastructure and</td>
</tr>
<tr>
<td>Zambia/Mozambique</td>
<td>- Expand Rural education</td>
<td>- Transparency in the distribution of drugs</td>
<td>- Social safety nets</td>
<td>- Disaster relief</td>
</tr>
<tr>
<td></td>
<td>- Reduction of gender disparities</td>
<td>- Reproductive health</td>
<td></td>
<td>- Expand provision and quality of water</td>
</tr>
<tr>
<td></td>
<td>Increase funds</td>
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Some of the positive effects found in both African and Latin American Countries include an increase of social expenditures to government revenue of 6% (from $4,407 in 1999 to $6,897 in 2001) in addition to an over all improvement of social indicators. In addition, on average, per capita real spending on education and health increased by 3.4% and 3.3% respectively, which in turn contribute to increasing awareness of the relevance that education has for the expansion of human capital. According to the strategies defined thus far, on average 40% of the countries annual interim relief will be spent on education and 25% on health care.
Programs that directed resources towards education and health (children and tropical diseases) were especially successful such as those implemented in Uganda, Tanzania, and Bolivia. Also helpful were anticorruption programs, although with different degrees of success. Burkina Faso reports better results than Uganda. Programs addressing infrastructure issues and labor training in Uganda and Bolivia also performed well. Overall, however, much is still left to be done.

On the other hand, programs that report negative results include those directed to fund armaments, those who failed to define clear processes for accountability, as it was the case of Mauritania and Mali. Also negative results were reported by programs that focused mainly on reproductive health and AIDS at the cost of more fundamental needs. Countries reporting negative results in this area include Zambia, Mozambique, Senegal, Ghana, Nicaragua, and Mali. This last case is especially serious because limited budget savings, led these countries to transfer more funds to creditors than they were able to invest in basic services. Most of the medicines and tools of reproductive health and AIDS proceed from developed countries.

VII. Conclusions

Economic development is an outcome of more than economic processes. It is an outcome of economic, social, and political processes that interact with and reinforce each other in ways that worsen or ease the achievement of economic development. To achieve economic development, opportunities need to be promoted, empowerment at all levels facilitated, and stability ensured. This requires actions at local, national, and global levels. How can priorities be decided in practice? What framework is needed to ensure sustainable development? Data from across countries and sciences seems to suggest clearly that it is the family that should be the point of reference if sustainable development is to be achieved. This is so not because the family is a problem to economic development but rather the contrary. It is the solution, for it is within the family where human, moral, and social capital, all *sine qua non* conditions for an economy to develop, are supported or hampered. Children develop best within a family that is functional, i.e., with biological parents in a stable marriage. This means that the family is a *necessary good* for economic development and thus it should be promoted and protected if sustainable development is to be achieved.
At the same time, data across sciences also show that the breakdown of the family damages the economy and the society since human, moral, and social capital is reduced and social costs increased. Today, when the family is in need of assistance to be strengthened, solutions that assume Malthusian and Neo-Malthusian theories are not helpful. This is so, because these theories are seriously flawed on many levels and policy actions based on such assumptions are inefficient and hampers real sustainable development. They lead to: an aging trap, the weakening of the family, the creation of health problems as well as the worsening of health problems that already exist, and the inefficient use of resources that otherwise could be use to foster real economic development by providing education, infrastructure, training, etc. This last effect has proven not only to waste resources, but also cause serious financial burden for governments. This effect should not to be underestimated. Developed countries today are straggling with the burden of such financial pressures and they are not only wealthy economies but they have savings. One can see, what a disastrous effect these financial burdens would have in less developed countries, where not only wealth is insufficient, but savings are rare. The future of these poor countries relies on their population. Thus, forcing these countries into a population trap, would condemn them to unsustainable development.

Actual priorities and actions need to be designed for each country’s economic, sociological, structural, and cultural context, even each community. But even though choices depend on local conditions and circumstances at a given time, generally it is necessary to always consider what would be the impact of any policy on the family, as it behooves countries its promotion and protection. There is hope. Some of the recent reevaluations of family policies in developed countries in favor of healthy families seem to point in the right direction. Microcredit and the HIPC initiative are other example of how funds can be used efficiently to provide opportunities to those most needed, and by doing so, strengthen families in distress.
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