Approaches towards a Life in Full
The Alternatives – approaches towards a Life in Full

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Summary

Imagine a world in which all people live healthy, full lives. Where we and our families can engage our interests, pursue our passions, fulfil our potential and enjoy our natural world with the security of knowing we have a firm foundation if something goes wrong. That we can all see a doctor if we get sick, have enough to feed our families if we lose – or cannot get – a job, and that whatever happens, knowing our planet is safe for our children and grandchildren.

The world has more than enough resources to reach this reality for everyone. Yet for the last 40 years, international financial institutions and many governments have largely pursued an approach that has often undermined people’s health and well-being. This approach – based on an ideology commonly known as neoliberalism, but perhaps better described as ‘market fundamentalism’ – promotes the notion that the best way to organise society is through an economic model that combines privatisation, fiscal austerity, deregulation, reductions in government spending and a reduced role of the state. Its results have often driven us headlong into poor health, poverty, insecurity, and vast inequality.

Despite overwhelming evidence of its failures, market fundamentalism remains the track on which many governments throughout the world base their domestic policies, whilst international financial institutions such as the World Bank, and donor governments in wealthy countries steam ahead with this same approach through their aid, trade and global economic policies. For example, the British government has been explicit about its intention to use its aid budget to drive open markets in the Global South and is increasingly delivering aid through private sector contractors and using it to promote privatised public services such as healthcare.

Market fundamentalism is so firmly embedded in many cultures that alternative voices often do not even feature in debates about tackling poverty and inequality. But there is hope. In many places around the world there is evidence of a different track, where people are pursuing alternative policies that improve people’s health, strengthen public health systems, reduce inequality and improve people’s lives.

It’s time to call market fundamentalism out for what it is. To look to these alternative approaches to get us back on track to achieve health and well-being, and arrive at a place where all people can live happy, healthy and full lives.

This research has aimed to collate some of the evidence of alternative approaches to market fundamentalism from a range of countries which have – to varying extents – successfully promoted inclusive development or indeed, alternatives to Western ideas of development itself. We hope it adds to the calls to reject the notion of ‘development’ that equates growth with growth’s sake, and to reroute the economy to make physical, mental and social well-being – in other words health, understood in a broad sense – the final destination for all government policies.
Living a Life in Full

Feeling physically and psychologically well, having good relationships with others and being able to contribute to a community are all part of what it means to be healthy. The Alma Ata declaration on Primary Healthcare describes health as “a state of complete physical, mental and social well-being”, adopted by the World Health Organisation (WHO) as the definition of health. Health is also a human right. Obligations under this right include the provision of access to health facilities, freedom from hunger, access to basic shelter, housing, and sanitation and safe and potable water.

Beyond this, many indigenous communities have concepts of health based on a collective way of living as part of nature including a balance of physical, mental, emotional, and spiritual elements. For example, the concept of Buen Vivir or Sumak Kawsay – good life, or Life in Full – is a holistic concept of life that sees harmony with the environment and social relationships as paramount to healthy lives. Other notions include One Health which recognises the interconnectedness of the health of humans, animals and ecosystems.

Health and its determinants

Our health is impacted by a range of environmental, political, social, and economic factors, known as social determinants. These include nutrition, access to water and sanitation, housing, education, employment, poverty and inequality. As the People’s Charter for Health – the founding document of the People’s Health Movement states: “Inequality, poverty, exploitation, violence and injustice are at the root of ill-health and the deaths of poor and marginalised people.” Some Latin American scholars have argued that these must not be conceived of as individual risk factors but as a dynamic system that can drive or reinforce disparities – a social determinism.
Economic policies that prioritise equity, health and social well-being therefore have huge potential to improve the lives of people. Around the world there are examples of policies that are doing just that. Whilst economic growth can be a means to reaching better health, it is not a straightforward journey.15 The US, for example, has one of the highest levels of GDP per capita but also is the furthest off track on maternal deaths: it has the highest maternal mortality rate of all high income countries.16 Even more serious is when we consider the climate and environmental impacts of unrestrained growth.17 Indeed, in indigenous concepts of health, the health of the environment – which has been so damaged by our pursuit of growth – cannot be separated from the health of people. If our planet is sick, so are we.

Despite this, outside of indigenous communities economic growth often still takes front seat in conversations about ‘development’ and poverty reduction,18 whilst the goal of development and growth – to improve our health and well-being – falls by the wayside. Since the 1980s market fundamentalism, otherwise known as neoliberalism, has been forefront in economic thinking. Not only has it failed to achieve growth it has sent us careering towards poor health. In fact, as we explore below, it kills.

Market fundamentalism and health

Market fundamentalism has proved bad for health in three main ways: It has driven poor economic performance and increased poverty in the Global South leading to an increase in poor health; it has driven cuts in public spending and increased privatisation, impacting on the provision of health services; and it has propelled inequalities, resulting in poor health for the most impoverished. In addition free trade agreements have had particular impacts on health (see box on page 9). Market fundamentalism has also generated a mantra which posits an individual’s lifestyle as the cause of poor health, deflecting attention from wider political, economic and social causes.
What is market fundamentalism?

Market fundamentalism – often referred to as neoliberalism – is an ideology closely associated with economists such as Friedrich Hayek and Milton Friedman. At its foundation is the notion that people acting in their own interests in a free market is the best way to organise society.20 Because of the focus on individualism and prioritisation of the market over the state, market fundamentalist ideology leads to an economic model that combines privatisation, fiscal austerity, deregulation, free trade, reductions in government spending and either a reduced role of the state, or a shift in its functions away from welfare towards security, surveillance and policing.21

Market fundamentalism has been the dominant form of economic organisation in numerous countries around the world for over 40 years. Forced onto the people of Chile through the 1973 coup,22 it was introduced in many other parts of the world through the 1980s and 1990s. In the majority of poor countries this was not thorough democratic choice, but coercion. In the 1980s the International Monetary Fund (IMF) and the World Bank pursued a process of ‘structural adjustment’ – a process in which they lent money to poor countries on condition that they pursued a rigid track of policies which typically included a radical programme of privatisation, deregulation, liberalisation of markets and cuts in government spending.23 Whilst the formal process of structural adjustment is officially over, many policies of the international financial institutions and the states that mainly influence them often promote similar policies, sometimes in the form of ‘technical advice’ to countries, bilateral and multilateral aid projects that encourage privatisation or opening up economies to foreign investment and ‘competitiveness’ rankings such as the current ‘Global Competitiveness Report’ and the World Bank’s Ease of Doing Business rankings.

Many countries continue on this track of market fundamentalist policies even without loan conditionality. For example some countries lower taxes and cut regulation to benefit corporations, in the belief they will attract foreign investment and trade.25 Professors Labonte and Stuckler (of Ottawa and Oxford universities respectively) argue that today the IMF is using the 2008 financial crisis to promote austerity and drive a further cutting back of the role of the state.26

But it is not just the fault of international financial institutions, bilateral trade agreements can also drive countries to accept certain conditions including reduced regulation.27 Geographer David Harvey argues that in countries such as the UK and US, widespread public acceptance of market fundamentalism has been achieved through the ‘construction of political consent’.28 This is achieved through pervasive rhetoric disseminated through key institutions such as think tanks, universities, the media and business. A particularly successful rhetorical device, Harvey notes, is the notion of ‘personal freedom’ (separated from the notion of social justice) which is used as a justification for such policies. This has been normalised to the extent that the “conceptual apparatus becomes so embedded in common sense as to be taken for granted and not open to question.”29 This is the notion that, as Margaret Thatcher famously put it “There is no alternative.”
Market fundamentalism and growth

Market fundamentalism has failed on its own terms. Even if we were to take growth as an indicator of progress, most countries of the Global South achieved much slower growth during the most prominent phase of market fundamentalism. Economists Ha Joon Chang and Irene Grabel note that countries with the best economic growth are those that did the opposite and were highly interventionist, and that that “well designed programmes of intervention explain most success stories.” Rick Rowden notes that citizens of countries who faced the greatest pressures of structural adjustment – for example much of Sub Saharan Africa and the former Soviet Union – experienced the starkest decline in life expectancy. Between the 1960s-1990s (prior to the predominance of market fundamentalist thinking) infant mortality fell by 50% on average in the Global South. Market fundamentalism put a halt to this progress, with devastating consequences. A 1996 paper by World Bank and US Treasury Department economists Pritchett and Sumner calculated that over ½ million child deaths in the Global South in the year 1990 were a result of poor economic performance in the 1980s – the height of structural adjustment. The authors conclude that if income had been 1% higher in the Global South during the 1980s the lives of between 33,000-53,000 babies would have been saved each year.

Public spending and privatisation

Today, hundreds of millions of people around the world are unable to access health services. A core policy of market fundamentalism is reduced spending on services such as healthcare. One study showed that European countries receiving IMF loans following the 2008 financial crisis were significantly more likely to pursue austerity policies and, when they did, were four times more likely to reduce healthcare budgets than non-IMF borrowers. A World Bank study of 15 sub-Saharan African countries shows that, on average, public health expenditure fell 20% during structural adjustment and stagnated afterwards. All countries apart from one (Uganda) saw a decrease in public health expenditure under structural adjustment.

Private health care is not, as claimed by market fundamentalists, more efficient. In fact evidence suggests that the private sector is more likely to provide lower low-quality care. Privatisation of services has increased inequality, and user fees promoted as part of this have often driven people into poverty. The introduction of health user fees in Zambia, for example, saw hospital attendance decline by a third over two years.

Inequality

There are over 170 studies on the impacts of income inequality on health. The effects are clear. People in more equal societies live longer, rate their health as better and are less likely to watch their children die in infancy.

Social injustice is killing people on a grand scale.
Impacts of trade on health – NAFTA

Trade agreements can impact on health in a variety of ways. They are often linked to the privatization of health services, whilst intellectual property protections in agreements can restrict access to medicines and push up drug prices. Some trade agreements include a parallel judicial system that allows companies to sue governments, with growing evidence that governments are being deterred from taking key health and other policy decisions because of the fear of legal action. They also impact diet with foreign imports and the expansion of processed food markets bringing increased access to processed food that is calorie rich but nutrient-poor. Following the 1993 North America Free Trade Agreement (NAFTA) between Mexico, Canada and the USA, Mexico saw a huge increase in processed food and a surge in junk food advertising. The consumption of surgery drinks almost tripled and its obesity rate soared. In 2013 it became the only country to overtake the USA, reaching the highest levels of obesity in the world.
The Alternatives

Economic policies that prioritise equity, health and social well-being can improve the health of people as well as the economy. Despite the prevalence of market fundamentalist thinking, many countries have, in fact, pursued a range of alternative policies which challenge this model, and in so doing have improved their populations’ health. Through analysis of a range of countries, this report presents examples of policies that have been used by governments to improve health and reduce poverty – in South Korea, Ecuador, Mauritius, Cuba, and Norway (and the Nordic model). We also tested our assumptions by looking at Chile – a country which is often regarded as a flagship of market fundamentalism – and Botswana – often regarded as Africa’s chief economic success story. We found:

- In just over half a century, South Korea has journeyed from chronic poverty to aid donor. It has achieved an astronomical rise in gross national income per capita while its citizens enjoy a life expectancy of 82 and low maternal, child and infant mortality rates. Key to these achievements has been strong government intervention in the economy, with key policies being: gradual and carefully sequenced opening of markets; nurturing of domestic firms (especially to promote exports); restrictions on foreign investment; government ownership of banks; and the state’s promotion of technology and research and development.

- Mauritius has increased, on average, its people’s income more than threefold from the early 1970s to the late 1990s and is the only country in Sub-Saharan Africa where average household expenditures increased significantly between 1990 and 2008. It has eliminated malaria and achieved (alongside the Seychelles) the lowest under-five child mortality rate in Sub-Saharan Africa. The government of Mauritius has pursued strong intervention in the economy, including high levels of trade protection and promotion of domestic business, combined with business-friendly policies and sequenced, gradual liberalisation. Other key policies include diversification of the economy, and a strong welfare state.

- The Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) repeatedly rank highest in a range of health and wellbeing indicators and their populations are among the most ‘satisfied’ in the world. The Nordic Model involves various market-friendly policies but also those that defy the market fundamentalist model, such as comprehensive welfare states, high levels of public spending, strong labour unions and employer associations, significant elements of wage coordination and, in the case of Norway, a strong ownership role for the state in key companies.

- Cuba’s outstanding achievements in health are well documented. It has: a lower under-five mortality rate than both the US and New Zealand; one doctor for every 149 people, higher than any OECD country; and was the first country to eliminate mother-to-child HIV transmission. Whilst this is in part due to the scale of its public spending on health (10.6% of its GDP) there is also a strong focus...
on preventive medicine and community-oriented primary care. Its healthcare excellence allows it to offer solidarity in the form of medical assistance to people across the world. Cuba’s policies are the antithesis of market fundamentalism. Its state owned, world-rated biotechnology sector produces over 70% of the medicines consumed by Cubans. Cuba’s investments in education has rewarded it with the highest primary and secondary school enrolment in Latin America, while its openness to innovation, especially in medicines and farming, and focus on agro-ecology has increased food production and led to it being ranked the most sustainable country on the planet.

- Ecuador has recently seen gains in welfare and reductions in poverty and inequality, and achieved the world’s most ‘inclusive’ growth. The Correa government of 2007-2017 explicitly rejected market fundamentalism and enshrined the right to a good life in the Constitution. Other policies that contributed to this include large increases in direct taxes (mainly corporation taxes), bringing the central bank under political control; a variety of tariffs on imports, renegotiating oil contracts with multinationals to raise state profits from oil revenues; investments in renewable energy, education, health and poverty reduction and a refusal to pay illegitimate debt.

None of these countries have been successful on all fronts and there remain deep problems with some. In Ecuador, government policies have often oppressed or ignored indigenous peoples, failed to tackle labour abuses and continued some market fundamentalist policies, for example by promoting private health care. Mauritius has achieved success while offering itself as a tax haven to global investors. Cubans enjoy world class healthcare and education, but in a context where the approach to civil and political rights is often repressive. And whilst South Korea has achieved massive reductions in poverty, its people report low levels of wellbeing – although this has been attributed to a recent shift to more market fundamentalist approaches.

This report shows that market fundamentalism is a political choice and that the poverty, poor health and inequality it creates are not natural phenomena. There are a range of alternative policies that have contributed to improving people’s wellbeing and health and reduced poverty. Although there is no one size fits all, there is an urgent need to challenge those promoting market fundamentalism and look to these alternatives.

We hope this report provides inspiration for a range of alternative policies to reach a life in full.

**Recommendations to reach a Life in Full**

All parties must base polices on evidence not ideology. This requires questioning assertions that market fundamentalist policies, such as deregulation, inadequate public spending, austerity, liberalisation and privatisation are the route to improving health and look at what has worked to improve people’s health. In particular:

- The World Bank must stop undermining health through its ideologically driven promotion of market fundamentalism and stop promoting private care through public private partnerships.
- Donor governments must end aid that promotes market fundamentalism such as opening up markets or supporting private healthcare in their own ideological interests.
- All governments should explore alternative measures of health and wellbeing, rejecting GDP as the main indicator of progress.
- Governments and NGOs should give greater recognition to, and learn from alternative approaches such as indigenous concepts of health and wellbeing.

**NGOs must:**

- Ensure that aid projects are not simply part of broader market fundamentalist approaches on the part of donors.
- In all public communications about our work providing services, articulate the political and economic climate driving the need for it.
- Refuse to take part in projects, panel discussion and other events which deny space to alternative voices.
Case study: South Korea

Summary

South Korea has transformed from one of the poorest countries in the world to aid donor in just 50 years. But whilst South Korea is one of the few countries to successfully ‘develop’, it achieved this by using tools that are off-limits to most poorer countries today: protecting infant industries, state intervention in the economy and public ownership in strategically important sectors.

This isn’t to say everything is perfect in South Korea today. Like many ‘advanced’ economies South Korea faces challenges in terms of maintaining or improving well-being. Anxiety about unemployment and long-term illness are becoming a bigger concern, just as they are in the UK. Yet despite this, the development model that South Korea adopted should be an example to everyone looking for alternatives to market fundamentalism to reduce poverty.

Health and poverty reduction in South Korea

Today, South Koreans can expect to live to age of 82 – higher than the life expectancy in the US or the UK. The UN ranks South Korea 18th (out of 188 countries) in their Human Development Index – a composite of a range of indicators including education, income and life expectancy – above France, Belgium and Austria. The number of women dying as a result of pregnancy or childbirth is 11 per 100,000 women, the same number as New Zealand. And child health has increased dramatically. Fewer children die before their first or fifth birthday (3 in every 1,000) than the UK.

However, it is not all good news on the health front. One survey suggests that Koreans are among the unhappiest people in OECD countries, due to a combination of fear of unemployment, forced retirement, and major illnesses. Economist Ha-Joon Oskar Alexanderson CC BY-SA 2.0

Chang attributes this to market fundamentalist economic reforms implemented after the country’s 1997 financial crisis and the absence of a decent welfare state. Despite South Korea’s economic success, spending on welfare is one of the lowest in the OECD.

South Korea’s economic gains and reductions in poverty are less ambivalent. Between 1961 and 1993 South Korea’s poverty rate fell from 48% to 7.6%. Its GDP grew an average of 10% a year between 1962 and 1994. Gross national income per capita has risen astronomically, from just $67 in the early 1950s – making it then one of the poorest countries in the world – to over $34,000 today, making Koreans’ average incomes 91% of the level of Britons. South Korea is the first country to transition from being an aid recipient to being a donor and is now the world’s 15th largest economy.

**Policy approach**

South Korea’s success has long been the subject of debate, ranging from those who argue that this has been due to the country’s outward/export orientation and pro-market policies, downplaying interventionist policies promoted by the government, and those arguing precisely that those interventionist policies, especially an industrial policy, explains Korea’s economic performance. The weight of evidence strongly suggests that the government’s interventionist role – going distinctly against market fundamentalist ideas – has been the decisive and critical factor. Three inter-related economic strategies – all of which challenge market fundamentalism – mainly explain South Korea’s economic success.

**The key role of government**

Government intervention has been driven strategically, often in alignment with underlying market forces and by deploying market incentives, and has been reduced over time, allowing the Korean economy to become more liberalised, especially once domestic firms were in a better position to compete in the global economy. This sequencing, or gradual liberalisation, has also been key to South Korea’s success.

South Korean governments adopted highly interventionist strategies on trade and domestic economic development, with a special focus on promoting domestic enterprises and deepening local capabilities. The role played by its developmental state has been extensively documented. Ha-Joon Chang, a prominent analyst of Korea’s alternative development strategy, has noted:

What Korea actually did during these decades was to nurture certain new industries, selected by the government in consultation with the private sector, through tariff protection, subsidies and other forms of government support (e.g., overseas marketing information services provided by the state export agency) until they ‘grew up’ enough to withstand international competition. The government owned all the banks, so it could direct the life blood of business – credit. Some big projects were undertaken directly by state-owned enterprises – the steel maker, POSCO, being the best example – although the country had a pragmatic, rather than ideological, attitude to the issue of state ownership. If private enterprises worked well, that was fine; if they did not invest in important areas, the government had no qualms about setting up state-owned enterprises; and if some private enterprises were mismanaged, the government often took them over, restructured them, and usually (but not always) sold them off again.

The Korean government heavily prioritised exports, and one of the most important reasons for South Korea’s remarkable industrial achievements appears to be the orientation of its industrial policy toward promotion of exports of increasingly sophisticated skill and technology content. Strong financial incentives for industrial firms to move up the ladder of skills and technology have been present in most of its policies. One analysis notes that there have been at least 21 major types of export promotion-oriented industrial policy interventions in South Korea, most of which were gradually eliminated by the early 2000s. These included:

- Preferential access to imported intermediate inputs needed for producing exports
- Targeted infant industry protection as a first stage before launching an export drive
- Direct export subsidies for selected industries
- Monopoly rights granted to the firm first to achieve exports in targeted industries
- Subsidized interest rates for exporters
- A system of export credit insurance and guarantees

Korean governments have also placed emphasis on, and expended significant resources on, educating their population and workforce. Human resource development through promoting a well-educated, strongly motivated and highly disciplined workforce has been a key factor behind South Korea’s success.
Restrictions on Foreign Direct Investment (FDI)

In contrast to market fundamentalism’s championing of foreign investment, South Korea often practised heavy restrictions. Beginning in the 1950s, South Korea’s government chose to restrict foreign ownership and the repatriation by investors of profits in many sectors, along with controls on technology transfers. Instead of relying on funding through FDI, the government itself took out large foreign loans and allocated them to strategic industries, which in turn led to a massive influx of foreign capital goods and turnkey plants. Private industries acquired the necessary technologies by reverse engineering the imported machines, or through technical training as part of turnkey projects.66

South Korea’s export drive was thus led by local not foreign firms – as it was in the UK, US and Germany as these countries industrialised – and wide-ranging government support allowed local firms to build impressive technological capabilities. The domestic market was not exposed to free trade; rather, a range of quantitative and tariff measures were used over time to give infant industries ‘space’ to develop their capabilities. The deleterious effects of protection were offset by strong pressures to export and face full international competition.67 The country was certainly open to trade but on its own terms: it relentlessly promoted its exports and was able to allocate human capital and resources to its most productive industries in ways that many other countries struggled to do.68

Protection of infant-industry played a crucial role in Korea’s success. Targeted industries were granted absolute protection in the domestic market via import controls while, using export targets, the government insisted that the firms export a growing proportion of their output at world prices.69 Tariff protection and subsidies were not meant to be permanent or to shield industries from international competition forever, but to give them the time to absorb new technologies and establish new capabilities until they could compete in the world market.70 As noted above, South Korea maintained a very extensive system of import controls well into the 1980s.71

Thus South Korea pursued industrialisation often by imitating and assimilating foreign technologies. Sung Chulchung notes that, in the case of light industries, like shoes, clothing and textiles, the major sources of technological training and learning were original equipment manufacturing (OEM) production arrangements. South Korean companies benefited hugely from these because they offered opportunities to work with foreign buyers who would provide everything from product designs and materials to quality control.72 The government encouraged the hiring of foreign experts but FDI was allowed only where considered necessary, and the government sought to keep control firmly in local hands. Foreign majority ownership was not permitted unless it was a condition of having access to closely held technologies or to promote exports in internationally integrated activities.73
Promoting firms and technology development

A report for the UN University notes that the real lesson from Korea is that the government was able to strengthen the capability of domestic firms, thus inducing sustained growth for several decades.74 From the 1970s the government put an emphasis on technological development by publicly funding and conducting research and development (R&D). The results were shared with private firms, and in the 1980s a public-private joint R&D programme was set up for bigger, risky projects. This intensification of R&D expenditure and a focus on higher education laid the basis for knowledge-driven growth. This is apparent in the rise in US patents filed by Koreans.75

The government supported technological effort in South Korea in several ways, including through tax incentives, tax credits for R&D expenditures as well as for upgrading human capital related to research and setting up industry research institutes, reduced import duties for imported research equipment, and a reduced excise tax for technology-intensive products. But aside from these specific policies, the tremendous growth of industrial R&D came from the overall incentive regime that created large firms, gave them a protected market to master complex technologies, minimized reliance on FDI, and forced them into international markets where competition ensured that they would have to invest in their own research capabilities.76

In a paper for the UN, Keun Lee of Seoul National University writes:

Without strengthened R&D capability, sustained export growth is not possible. The difference between the more and less successful Asian economies was the priority given to technology and, in particular, higher education to enhance long-term growth potential. These are missing from the Washington consensus, even though they can be considered as the distinctive core elements of the approach adopted in northeast Asia.77

Lee notes that technology needs to be singled out because without it, sustained growth is impossible. In an era of open competitive markets, private companies cannot sustain momentum with cheap products; they must move up to higher value-added goods through continual upgrading, improvement and technological innovation. Furthermore, Lee notes:

Whenever possible, private companies, including locally controlled joint-ventures (JVs), should be ‘local’ enterprises, not the foreign-controlled subsidiaries of multinational corporations (MNCs). The multinationals are continually on the move around the world, seeking cheaper wages and bigger markets, and cannot be relied upon to generate sustained growth in specific localities or countries. MNCs are, however, useful channels for knowledge transfer and learning.78
Summary

Norway, and the Nordic countries more generally, are the world’s healthiest and most satisfied, repeatedly ranking top in a range of measurements of health and wellbeing.

The Nordics have achieved this through a mixed-economy, combining market friendly policies in some areas with competent natural resource management, strong state intervention and high public spending.

Health and wellbeing in the Nordic countries

The so-called ‘Nordic model’ has delivered significant benefits for the citizens of the Nordic countries – Denmark, Finland, Iceland, Norway and Sweden. They all figure highly in most international surveys of well-being and economic and social development. When asked for their perceptions of their standard of living and quality of health care and education, the populations of the Nordic countries all tend to be among the most satisfied in the world.79 Norway, in particular, is often ranked first in many such surveys, such as on the UNDP’s Human Development Index.80

The Nordic countries are among those with the highest life expectancy rates, the lowest infant mortality rates and the lowest maternal mortality rates in the world.81 Much of this is due to significant state spending on public services: the five Nordics spend an average of 8.4% of their GDPs on health, and 7.6% on education, some of the highest proportions in the world.82 Their education spending is especially high, and compares to US spending of 5.2% of GDP, and UK spending of 5.7%.

The Nordic policy approach

The Nordic model (which clearly varies from country to country and is not uniform) is neither socialist nor market fundamentalist but somewhere in-between. Although its economic policies are, to varying degrees, market-friendly, the very strong role for state intervention and redistribution makes the model fundamentally different to market fundamentalism. Its principal features include:83

- a comprehensive welfare state with an emphasis on transfers to households and publicly provided social services financed by taxes, which are high notably for wage income and consumption;
- high public and/or private spending on investment in human capital, including child care and education as well as research and development (R&D);
• competent natural resource management; and
• a set of labour market institutions that include strong labour unions and employer associations, significant elements of wage coordination, relatively generous unemployment benefits and a prominent role for active labour market policies.

A recent analysis concludes:

The Nordic model can be regarded as a way of generating political support for growth-enhancing technical change, free trade and open markets by creating a number of systems through which the winners from structural transformation at least to some extent compensate the losers. Solidaristic wage setting, active labour market policies, redistribution of income via tax-transfer schemes, comprehensive and generous unemployment insurance schemes and other elements of social protection can all be regarded as ingredients in such compensation mechanisms.84

The Nordic model has generally combined strong social welfare programmes with economic dynamism and market-friendly policies. Nordic businesses compete in the global economy, including importing, exporting, and outsourcing, but they are discouraged, through laws and social contracts, from cutting wages as part of their competitive strategy. Experience with the Nordic model contests the view that high taxes and regulation stifle business and entrepreneurship. Productivity rates are considerably higher in Nordic countries than in most other countries, even with a shorter working week.85

The Nordic model is certainly far from perfect: while inequality arising from income (earnings from work) is lower than in other countries, inequality arising from wealth (income from capital) is larger, according to some analysis.86 There are also deep questions about the model’s financial sustainability in an increasingly globalised world. In recent years, the Nordic countries have gradually been reforming their social systems. Taxes have sometimes been cut to stimulate work, public benefits have been limited in order to reduce welfare dependency, pension savings have been partially privatised, for-profit forces have been allowed in some parts of the welfare system, and some state monopolies have been opened up to the market.87

Managing natural resources

Norway, especially, is regularly seen as a model in managing natural resources; its oil resources, the principal source of wealth, have contributed massively to Norwegians’ welfare and the country has, unlike many in the global South, avoided the ‘resource curse’. Analyses suggest several reasons for this. First, Norway has had a history of managing natural resources to integrate these activities into the rest of the economy through various backward and forward linkages; the oil sector has not been allowed to develop as an enclave, disconnected from the broader economy. Second, Norway has promoted the policy that it is the central government (and not private corporations, for example) that should be the major beneficiary of oil revenues. Third, Norway has created a petroleum fund, into which oil revenues are paid, which is managed transparently, is managed in such a way as to prevent financial volatility in the wider economy and which ‘saves’ money for Norway’s future.88

The state as shareholder

Norway defies the market fundamentalist model in the role in which the state plays in dozens of companies, in promoting state-owned enterprises which market fundamentalists regard as inefficient. Some 11 government ministries manage percentage stakes in 70 companies, including many of Norway’s largest, such as oil producer, Statoil, telecoms company Telenor, and fertiliser producer, Yara International. In 2015, the state’s assets in these companies were worth NOK 644 billion ($77 billion).89 The Norwegian government states that ‘perhaps the state’s most important task as an owner is to promote good and competent boards that exercise their influence in the best interest of companies and owners. The state as an owner sets clear expectations to the board through the white paper on ownership policy’.90
Summary

Cuba has achieved outstanding health outcomes with limited resources, principally as a result of its publicly owned health and biotechnology systems. In addition, Cuba has become one of the most sustainable countries in the world, thanks to its promotion of agroecological food production techniques, which have decreased the amount of food imported and reduced the carbon footprint of the agricultural sector in Cuba dramatically. This is not to deny the concern for civil and political rights in Cuba. However, in terms of achieving health justice, improving education and moving beyond carbon-intensive agriculture, Cuba has made great strides from which the rest of the world could learn.

Health and poverty reduction in Cuba

Cuba’s accomplishments in the areas of health, education and agriculture can only be described as stunning, especially in light of the US embargo placed on Cuba for decades which has cut the country off from much of the outside world. Cuba ranks in the ‘high human development’ category on the 2016 Human Development Index. Its under-five mortality is 5.5 per 1,000 births, which is lower than the US or New Zealand and compares to a rate of 17.8 for Latin America/Caribbean as a whole. Its maternal mortality rate is 39 per 100,000 live births, which is much higher than in OECD countries but compares to an average of 67 in Latin America/Caribbean (and 551 in sub-Saharan Africa). It has achieved near-universal literacy while average life expectancy at birth for Cubans is 79.6 years, one of the highest in the world and higher than the United States – a major achievement considering that the average income per capita is $7,455 – seven times less than in the US. Despite centralised political control (see more below) women’s participation and political inclusion are high by international standards.

The Cuban system has placed more emphasis on social/economic rights than on political rights. Human Rights Watch notes that the Cuban government continues to repress dissent and deter public criticism, which includes short-term arbitrary arrests of human rights defenders and independent journalists. This report clearly does not condone this. However, in regard to Cuba’s innovation, healthcare and alternatives to market fundamentalism, its approaches can provide inspiration for other countries to follow.
Cuba’s policy approach

Cuba has achieved its successes through policies which are the antithesis of market fundamentalism. After the 1959 revolution that overthrew the dictatorship under Batista, Castro’s regime promoted a centrally-planned model in which the state controlled the economy and society’s cultural institutions and most workers were employed by the state, with the private sector shunned. Some 74% of Cubans are still employed in the public sector, working for state-owned enterprises. In more recent years, however, Cuba’s has transitioned to a model which encourages worker and agricultural cooperatives, as an alternative to both full state control and privatising the economy. It is a model which, despite deficiencies, continues to serve Cubans well. Although incomes are very low by international standards, the state provides a basic food basket, free education and healthcare and caps housing rents at a small proportion of a tenant’s income.

Cuba’s centrally-planned economic model has provided enough for people to get by, and have good social services, but has stifled entrepreneurialism which could raise living standards further. It has not created enough wealth to address the country’s crumbling infrastructure.

Cuba’s successes can be explained by at least two major factors: investing in public health and education systems and being open to innovation in medicines and agriculture.

Investments in health and education

Cuban successes in improving well-being are explained by its leadership’s commitment to, and spending on, health and education services. UN figures show that Cuba has 67 doctors per 10,000 people (or, one doctor for every 149 people) – a figure higher than in any OECD country; by comparison the UK has a one doctor for every 357 people. The Cuban government spends 10.6% of its GDP on health, the third highest proportion in the world and nearly three times greater than the average in Latin America/Caribbean. The commitment to education has been similar: the country spends 12.8% of its GDP on education, the largest proportion in the world. UN figures are that Cuba has a teacher for every 9 pupils at primary level, the second lowest pupil/teacher ratio in the world (after Luxembourg).

The improvements since the 1950s are remarkable. Before the 1959 revolution, for example, half of Cuba’s children did not attend school. The literacy campaign begun by Castro in 1961 led, in 1970, to Unesco declaring Cuba the country with the highest primary and secondary school enrolment in Latin America. By 2011 Cuba’s literacy programme was being implemented in 28 other Latin American and African states. The development gains in the area of education, combined especially with those in health, have continued to this day.
FOCUS ON: Cuba’s health system

The Cuban health system is recognised worldwide for its excellence and efficiency and, despite extremely limited resources and the impact of economic sanctions, for providing good quality care to all of its population, obtaining results similar to those of the most developed nations. The system owes its success to a number of factors in addition to the sheer scale of investments. One is that it is entirely free.

Another is the strong focus on preventive medicine and community-oriented primary care. The majority of care is provided by neighbourhood clinics, called consultorios, in which doctors organise medical records around families, putting greater emphasis on communities rather than viewing each patient as an isolated individual. Thus all care delivery is organised at the local level, and the patients and their caregivers generally live in the same community.

The World Health Organisation declared Cuba the first country to have eliminated the transmission of HIV from mother-to-child, a landmark in the response to HIV globally. The UN Development Programme notes:

Cuba’s comprehensive health system is available for all citizens equally, and is effective in integrating the health care of mothers and children with the health management of HIV and other sexually transmitted diseases. Because of this integration, Cuba has been able to offer early access to prenatal care, testing for both pregnant women and their partners and treating women and their babies when they test positive. These interventions are vital to preventing the transmission from mother to child. Because of Cuba’s comprehensive prevention programme, by 2013 only two babies were born with HIV.

It is not just Cubans who have benefited from the country’s health investments. Tens of thousands of Cuban doctors, educators and other development aid workers have served around the world: currently, some 37,000 Cuban doctors and nurses work in 77 countries. They generate foreign exchange of some $8 billion a year – Cuba’s biggest export.

Cuba also provides free medical treatment and free medical training to thousands of foreigners every year through the Latin American School of Medicine in Havana. In the mid-1980s Cuba developed the world’s first Meningitis B vaccine and today leads in oncology drugs, and patented in 2012 the world’s first therapeutic cancer vaccine.

The Cuban health system is far from perfect. Some reports suggest that the state reserves the best hospitals and doctors for the national elite and foreigners, while ordinary Cubans sometimes have to turn to the black market or ask expatriate friends or family for medicine. Physicians get government benefits such as housing and food subsidies, but they are paid only about $20 per month. Nevertheless, the system overall is highly impressive and provides huge benefits to ordinary Cubans. A recent analysis in the Journal of Paediatrics and Child Care concludes: ‘The Cuban model has much to teach us on how to improve health with a limited budget’.
Openness to innovation in medicines and farming

Since the US embargo prohibited even trade in medicines, Cuba prioritised its own investments in medical sciences. It now has a world-rated biotechnology sector which markets pharmaceutical products and vaccines in 40 countries and produces over 70% of the medicines consumed by Cubans. Dr Helen Yaffe of the London School of Economics notes: ‘The entire industry is state owned, research programmes respond to the needs of the population, and all surpluses are reinvested into the sector. Without state planning and investment it is unlikely that this could have been achieved in a poor country’.117

Cuba is also promoting farming strategies that go against market fundamentalist practices (which emphasise industrial farming methods like relying on large farms and imports of chemical fertiliser and pesticide). The collapse of the Soviet Union in the late 1980s cut off chemical and other agro-industrial inputs to Cuba’s farming sector. In response to this crisis the Cuban government launched a national effort to make the transition from high input agriculture to low input, self-reliant farming practices on an unprecedented scale. The state hurriedly replaced chemical inputs with locally produced substitutes, in most cases biological. This involved a range of sustainable agriculture (agro-ecological) practices such as the use of biopesticides and natural enemies to combat insect pests, resistant plant varieties, crop rotations, and cover cropping to suppress weeds. Synthetic fertilisers have been replaced by biofertilisers, earthworms, compost, and other organic fertilisers. In place of tractors, for which fuel, tyres, and spare parts were largely unavailable, there has been a return to animal traction. Although government educational programmes endorsed sustainable farming methods, farmers also used traditional knowledge derived from elders or their childhood memories.119

The result has been that, while per capita food production has grown significantly, around a quarter of Cuba’s farmers have succeeded in supplying some 65% of national agricultural output using agro-ecological practices. The prioritisation of agro-ecology has rendered Cuba a world leader and model for other countries to follow in reducing their dependency on expensive imported inputs and curbing their climate footprints. In 2016, the World Wildlife Fund (WWF) named Cuba the most sustainable country on the planet.121

It is also worth noting that Cuba’s centrally planned model promoted in the early decades after the revolution has been moderated to convert many state-owned small and medium businesses into genuine worker or agricultural cooperatives. In agriculture, for example, a 1993 decree terminated the existence of state farms, turning them into Basic Units of Cooperative Production (UBPCs), a form of worker-owned enterprise or cooperative. Some 80% of all farmland that was once held by the state, including sugarcane plantations, has now essentially been turned over to workers. Grassroots organisations representing small-scale farmers, animal producers, and agricultural and forest technicians, have been critical in forming these cooperatives and spreading services and agricultural education in Cuba.122
Summary

Mauritius is often regarded as one of Africa’s two (with Botswana) main development ‘success stories’. Since its economic crises of the 1970s it has improved health and has seen a nine-fold rise in average incomes. This is however not distributed evenly, and inequality has grown in recent years.

Mauritius has pursued a combination of business friendly policies, export promotion and strategic government intervention. This enabled Mauritius to diversify its economy away from sugar exports combined with good investment in health and education.

Health and poverty reduction in Mauritius

Despite facing major challenges at independence and economic crises throughout the 1970s, Mauritius has achieved major health gains. The number of women dying as a result of pregnancy or childbirth is 53 per 100,000 women, the second lowest in sub-Saharan Africa, well below the continent’s average of 557. Along with the Seychelles, it has the lowest under-five child mortality rate on the continent (14 out of every 1,000 children die before their fifth birthday). Malaria has been eliminated and it has the highest rate of children immunised against measles (98% in 2008).

The average Mauritian saw her income grow 3.5 times from the early 1970s to the late 1990s, compared to a rise of just 32% for the average African. In 1975, 40% of households were living below the Mauritian poverty line. By 1991/92 the proportion had fallen to 11%, and by 2010 absolute poverty was less than 2%.

Per capita GDP increased from less than $1,000 in 1976 to roughly $9,000 today, a ninefold rise. Mauritius is the only country in Sub-Saharan Africa where average household expenditures increased significantly between 1990 and 2008. Mauritius achieved economic growth of over 5% for 30 years, with falls in income inequality. However, inequality has widened significantly in more recent years, especially between modest households and the upper middle class.
Policy approach

Mauritius is not rich in diamonds, oil, or some other valuable commodity, and has no exploitable natural resources. Overall, its success is not explained by following market fundamentalist policies but mainly by strong government intervention in the economy, including high levels of trade protection and promotion of domestic business, combined with business-friendly policies and sequenced, gradual liberalisation. It also has good institutions and an inclusive political system.

The country is no paradise, and faces several challenges. A particularly insidious aspect of Mauritius’ diversification is its championing of offshore banking. Whilst this has been a significant growth vehicle for the economy, it has made the country the number one secrecy jurisdiction in the southern hemisphere, where numerous companies take advantage of low taxes and secrecy to avoid paying tax.

Alongside the country’s good institutions and an inclusive political system, which are cited as major factors in its success, the literature suggests that three other main factors drive Mauritius’ success, outlined below.

Business-friendly policies with strong government intervention

A report for the Overseas Development Institute (ODI) notes that the Mauritian government has played a strong and interventionist role: it has, for example, acted as facilitator of an enabling environment for the private sector and as a regulator to protect the economy in general, as well as vulnerable groups and sectors, from economic shocks. Economic progress was driven largely by a focus on exports, and strong trade protection (see next section) with liberalisation occurring in phases, adapted to the country’s evolving advantages on the international market.

Many analysts see Mauritius’s export-driven growth as having been achieved not through orthodox free-market, open economy policies, but through a combination of heterodox industrial policies (protection and export subsidies through Export Processing Zones) and international trade preferences (such as the EU sugar quota).

Diversification of the economy

Mauritius has transformed itself from relying on sugar to becoming a diversified economy promoting various exports and sectors, particularly light manufacturing, financial and other services and service-related information and communication technology. In 1968, at the dawn of its independence, Mauritius was a sugar-based monoculture, where agriculture made up 25% of GDP. Agriculture now accounts for less than 4% of GDP, of which sugar barely accounts for a third of that.

Investment in people

Mauritian economic performance has been sustained by social protection, notably a sophisticated pension system covering retirement benefits and for civil servants. The country also provides free education and healthcare and has long invested heavily in quality schooling. However, the education system remains weak in several areas, with only 20-30% of pupils reaching the end of the secondary school cycle. In 2016 the government of Mauritius announced a ‘Marshall Plan’ to eradicate extreme poverty in which it committed to scheme to provide its 10,000 poorest households with cash transfers, encourage young people from poor background to complete their education and an additional programme of support to tackle social exclusion.

Students at a middle school. Education is free but only 20-30% of pupils complete secondary school.
International trade has undoubtedly been a critical element of economic growth in Mauritius. Mauritius benefitted enormously from the policies of its trading partners, especially the EU and US, which granted preferential access to Mauritius in particular for its three star exports: sugar, tuna and textile products. For a long time, the income from these preferences allowed Mauritian exporters to have an edge over other potential competitors and accounted for strong growth in exports between the 1970s and the 1990s.

There is some debate in the literature as to whether Mauritius’s successful export growth has been more the result of open or restrictive trade policies. The weight of evidence suggests the latter. A recent report for the UN notes that, over the years Mauritius has used trade policy as a means both to protect domestic industry and to launch export growth, and has been based on a managed embrace of globalisation and cultivation of market access.

Mauritius conducted a dual trade policy: it was open for exports and protective for import competing sectors. The export sector was a major driver of the economy and a key source of foreign exchange. The government therefore provided duty-free inputs and substantial tax incentives to encourage exports. But to insulate local producers, import tariffs were high and there was an extensive use of quantitative restrictions and import licensing.

In their IMF Working Paper, Subramanian and Roy note that Mauritius ‘has not had an open trade regime in any conventional sense; on the contrary its import regime for much of the 1970s, 1980s and 1990s has been highly restrictive’. In 1980, the average effective protection on imports was around 125%, and although this diminished it was still 65% at the end of the 1980s and 30% in 1994. Moreover, until the 1980s, there were also extensive quantitative restrictions in the form of import licensing, covering nearly 60% of imports.

The IMF ranked Mauritius as one of the most protected economies in the world in the early 1990s. The country elicited a rating of ten, the highest possible category of policy restrictiveness. It was only in the late 1990s that conventional measures of trade protection began to significantly decline, partly after Mauritius joined the World Trade Organization in 1995. But by 1998, Mauritius still obtained a rating of seven on the IMF’s index, amongst the highest in the world and in Africa.
In terms of the sectoral focus, trade protection was especially high on imports in the clothing, footwear, furniture, and rubber sectors, all of which had tariffs above 50% in the 1980s, while tariffs for electronics and plastics averaged more than 40%. Corporate taxes were also very high. Protectionism was reduced during the 1980s, and by the early 1990s import licensing was eliminated on all but a limited list of items subject to health, sanitary, or strategic controls, while export licensing was abolished for most products.\textsuperscript{153}

Mauritius established Export Processing Zones (EPZ) whose offering of tax incentives and cheap labour are often associated with market fundamentalism. However, it did not simply open up the country to foreign investors as is common in traditional approaches to EPZs.\textsuperscript{154} Mauritius promoted EPZs strategically, using a mix of tax incentives and government intervention to promote exports and domestic business. The 1970 Export Processing Zone Act provided powerful incentives to manufacturers that catered to foreign markets. Key components of the new legislation included protective import duties and quotas to help develop local infant industries. Companies received incentives such as suspension of import duties on materials and equipment for industrial use that were not locally available, and favourable long-term loans. The granting of duty-free inputs for manufactured exports was key in expanding Mauritius’s export competitiveness on world markets. The government also invested heavily in the infrastructure needed to set up EPZs and provided strong institutional support for marketing EPZ products.\textsuperscript{155}

Most analysts note that the EPZ experiment in Mauritius has been a resounding success that has helped transform the economy. Indeed, by the 1980s EPZs had exceeded the expectations of even visionary policy makers in Mauritius, accounting for more than 60% of Mauritius’s export earnings and employing one-third of the labour force.\textsuperscript{156}
Case study: Ecuador

Summary

Ecuador’s President Correa (2007-2017) came to power with an explicit promise to break with market fundamentalist approaches and pursue alternatives. During his Presidency, Ecuador accomplished big reductions in poverty and inequality as well as strong economic growth. It did this through a range of alternative policy reforms. These include rejecting illegitimate debt, challenging the use of tax havens and raising tax revenues through corporation taxes and taxes on wealth, bringing the central bank under government control, raising tariffs on imports, renegotiating oil contracts to increase government revenue, investing in health and education and raising the minimum wage.

However, these reforms do not appear to have been translated into health gains, and the Correa government has been criticized for not living up to its initial promise to wholly reject market fundamentalism. Other criticisms relate to curtailing freedom of expression and criminalising and threatening environmental activists.

Reductions in poverty and inequality in a relatively short period, suggest that, whilst the reality may not have matched the rhetoric, Ecuador’s attempts at alternative approaches have brought some positive change.

Health and poverty reduction in Ecuador

Many Ecuadorians have experienced major reductions in poverty and gains in their welfare and standard of living over the last ten years, although this does not appear to have been translated into health gains. Maternal mortality has not reduced significantly over the last ten years and its infant mortality rate at 17.8 is slightly higher than the average for Latin America. However, Ecuador has enshrined in its 2008 Constitution the principle of Sumak Kawsay (‘living well’) where the state’s purpose is to fulfil peoples’ material and spiritual needs in harmony with their natural environment, prioritising quality of life over wealth, income or profit. It delineates a conceptual framework for policy-making based on justice and the distribution of resources as well as fuller knowledge of ethnic diversity and the historic dispossession of indigenous peoples.

Many governments preceding Correa instituted market fundamentalist austerity and privatisation programmes, exacerbating inequality, poverty and unemployment. Ecuador became one of the least developed nations in the region, experiencing a major economic crisis in 2000, with nearly two million Ecuadorians out of a population of 12-13 million leaving...
the country for economic reasons. Following the crisis, the economy improved, partly due to large remittances sent by Ecuadorians now living abroad and also due to high commodities prices, notably oil.

During 2007-2015 Ecuador enjoyed economic growth of 4.2% a year while unemployment fell to just 5.2%. Most importantly, poverty was reduced. Different figures are available, some suggesting that poverty fell from 38% in 2007 to 22% in 2016, with rural poverty falling from 61% to 35% and extreme poverty from 13% to 5.7%. World Bank figures are that the number of Ecuadorians living on less than $1.90 a day halved from 1.3 million in 2006 to 600,000 in 2015. However, an economic slowdown in 2014 attributed mainly to the fall in oil prices appears to have contributed to a halt in the decline in poverty levels, then contributing to slight rises in poverty and inequality.

Inequality between the richest and poorest has been reduced: the richest 10% of the population accounted for 42 times as much as the poorest 10% before Correa, and now accounts for 22 times as much: still a large difference, but much less. A 2015 ODI report notes that since 2006, Ecuador has achieved the world’s most ‘inclusive’ growth if we consider the growth rate of the incomes of the poorest 40% of the population relative to the average: in Ecuador these grew over eight times the rate of the average. Income and consumption of the poorest have also improved: From 2006 to 2012, the consumption of the bottom decile of the population grew by almost 4.5% each year while the top decile recorded negative growth of -1.7%. Between 2007 and 2013, the wages of the poorest quintile rose by 44% and of the richest quintile by 4.6%.

**Policy approach**

Correa introduced a programme of policies consisting significantly – but not completely – of alternatives to market fundamentalism. Many policies of the Alianza PAIS movement which Correa headed and which was underpinned by widespread popular social mobilisation, represented a radical break with market fundamentalism. From the 1980s, Ecuador received dozens of loans from the World Bank and IMF which often included structural adjustment conditions, such as trade and financial liberalisation, spending cuts and privatisation of state-owned industries. Indebtedness and economic dependency left Ecuador with little choice but to implement these policies. Correa’s governments reversed course and were able to achieve considerable economic and social progress despite two recessions caused by serious external shocks.

As Mark Weisbrot of the US-based Centre for Economic Policy and Research (CEPR) has written, Ecuador is a good example of how a leftist government achieved success over the past decade through positive and creative changes in economic policy, as well as financial, institutional, and regulatory reform. ‘It turns out that even a relatively small, middle-income developing country can adopt workable alternative policy options – if people can elect a government that is independent and responsible enough to use them’.

What is most remarkable is that many of these reforms were unorthodox or against the prevailing wisdom of what governments are supposed to do in order to promote economic progress.

**Analysis by the Center for Economic and Policy Research**

However, Correan government policies have not all been progressive or present alternatives to market fundamentalism. Often, especially in his government’s later years, the anti-neoliberal rhetoric disguised market fundamentalist policies, for example the involvement of the private sector in health care and a contradictory approach to agricultural policy which often empowered big business. He was also criticized for a 2017 free trade agreement with the European Union, said to be a shift from his earlier opposition to such agreements. There were also restrictions on freedom of expression and failure to act on labour rights abuses. Human Rights Watch noted in 2016: ‘The administration of President Rafael Correa has expanded state control over media and civil society and continues to harass, intimidate, and punish critics’. Many indigenous leaders faced jail or trials and were subject to heavy-handed treatment. There were also problems with corruption; Correa’s Deputy Jorge Glas was sent to jail for six years in December 2017 for taking bribes from a Brazilian multinational construction company.

However, the Correa government’s (qualified) success in reducing poverty and inequality can be explained by nine policies which mainly represented alternatives to market fundamentalism.
Correa rejected IMF and World Bank policies which had provided numerous loans to Ecuador, entrapping the country in debt. Ecuador’s debt was $14 billion in 1980, the country paid back $7 billion, but still owed $14 billion. The IMF demanded cuts in wages and state budgets and that 80% of oil revenues go to debt payments. In 2008, a commission presented a report that found various irregularities in the mechanisms by which Ecuador had acquired these debts. As a consequence, the government stopped paying its bonds in November 2008 and renounced $3.9 billion of the debt (one-third of the total) found to be illegitimate. This reduced the country’s debt to 14% of GDP, a new historical low. The savings contributed to the availability of finances to invest in social programmes.

Debt repayments

During its first five years, the Correa government increased taxes on the rich and cut down on tax evasion. A tax on capital flight was introduced, generating $1 billion in revenue in 2012-2015.182 Other reforms adopted in 2007 established an overseas remittance tax, to retain dollars within the economy, a progressive inheritance tax, and tax deductions for household spending on health, education, food and housing.183

Bringing the central bank under political control

After a new constitution was approved in 2008 in a referendum, the Central Bank was made part of the government’s economic team – in contrast to the classic market fundamentalist policy of delinking the central bank from the state. The government then compelled the Central Bank to repatriate billions in assets held abroad, amounting to around $2 billion.184 A new law in 2009 required that banks in Ecuador bring 45% of their liquid assets back into the country; this requirement increased to 60% in 2012, and the actual level was more than 80% by 2015. Mark Weisbrot notes that these and other reforms that kept dollars in the country were essential to overcoming the world financial crisis of 2008 and world recession of 2009.185

Raising tax revenues

Between 1996 and 2012, tax revenues in Ecuador increased from 5.6% of GDP to 14.5%.179 Direct taxes (mainly corporation taxes) increased from around 35% of total taxes in 2006 to over 40% in 2011. The government is now collecting the taxes owed by companies’, Correa stated, adding half-jokingly: ‘a radical innovation in the capitalist world’.180 While VAT as a share of GDP remained stable throughout the 2000s, income tax increased from 1.5% of GDP to 4.2%.181
Tariffs on imports

The government imposed a variety of tariffs on imports under the World Trade Organisation’s provision for emergency balance-of-payments safeguards. This reduction of imports in 2015-16 added about 7.6 percentage points to GDP during those years. This counteracted spending cuts that the government had to make as revenues crashed.186

Renegotiating oil contracts

In 2006, the government of Alfredo Palacio established a new windfall tax, under which all additional revenue from any increase in the price of oil over the contracted price would be split equally between the government and the oil companies. In 2007, the Correa government changed this to a 99:1 distribution in favour of the government, and then finally set it at 70-30 in 2008.187

In July 2010, a new law dramatically changed the terms of oil contracts, increasing the government’s share from 13% to 87% of gross oil revenues. Seven of the 16 foreign oil companies decided to pull out, and their fields were taken over by state-run companies. But the others stayed on and, as a result, state revenues increased by $870 million in 2011188 or from 7.8% of GDP in 2006 to 20% in 2011 (eventually falling, along with the world oil price, to around 11% of GDP in 2014).189 While from 2000 to 2006 public oil revenue was around $13 billion, in the 2007–2013 period it more than quadrupled to $62 billion.190

Tax havens

Ecuador has led an international campaign both for the elimination of tax havens and the creation of a new UN judicial body to regulate tax havens and recoup lost tax revenue. Domestically, it has stated that wealthy citizens and companies hide $30 billion in overseas tax havens, equivalent to one third of the country’s GDP, siphoning off national wealth. The proposal has been made to bar public servants from holding office if they hold assets in tax havens with those affected having to repatriate their assets.191

Investment in education and health

Ecuador under Correa achieved the highest public investment levels in its history.192 Social spending as a percentage of GDP doubled during 2007-16, involving large increases in expenditure on education and healthcare193 and the government placed emphasis on providing free health services.194

Due to free health care, visits to the doctor almost tripled in ten years. In the 40 years prior to Correa, not one new public hospital was built in any of the main cities. Since 2007, 13 new hospitals have been constructed, with more under way around the country, while an additional 34,000 medical professionals were recruited.195

Despite this, the private sector has been allowed to play a strong role in health policy, which has sometimes been criticised for its market fundamentalist aspects such as channelling state investment to the private

IESS (Ecuadorian Institute of Social Security) hospital in southern Quito, one of 13 new hospitals opened since 2007.
sector and subcontracting services to private providers. Some analysts note that the emphasis on curative treatment is not matched with a focus on preventative care and the importance of a healthy environment and balance with nature which is at the core of the Sumak Kawsay (good living) approach.

Over $20 billion was invested in education over the last ten years, providing free education and, for low-income students, free school supplies, books, uniforms, and meals. Spending on primary and secondary education increased from 3% of GDP ($1.4 billion) in 2007 to 5.2% of GDP ($3.4 billion) in 2011. One of the main uses of the increased funding was to make services free at the point of delivery and to identify other measures to improve access to them. These measures included: doubling the coverage of free meals at schools from 1.3 million beneficiaries in 2007 to 2.1 million in 2013; abolishing all tuition and voluntary contributions to public schools in 2007; and launching a free textbook and uniform programme in 2007. Some 300,000 children who used to have to work went back to school. In 2015, the country had the second highest level of public investment in higher education in the world.

In education, huge emphasis was placed by the Correa governments on increasing resources but much less, and insufficient, attention has been given to improving the quality of education. According to one study, only 55% of student’s complete secondary education and 11% drop out from primary school.

Promoting anti-poverty programmes

Ecuador’s minimum wage has more than doubled, from $170 a month in 2007 to $375 by 2017, one of the highest in Latin America. The minimum wage now covers the cost of the basic basket of goods, whereas in 2006 it covered only 68%. The 2008 Constitution commits the government to revising the minimum wage annually, and in so doing, aiming to reach a salario digno or decent wage based on permitting an average family to acquire the minimum basket of goods.

The ODI study notes that a variety of policies have been adopted since 2007 to increase the coverage of social security, which in 2014 reached 41% of the population. Legislation passed after a referendum in 2011 made it illegal (and subject to imprisonment) for employers to fail to register their workers for social security, thus also enforcing the minimum wage policy. Further, these policies banned outsourcing, hiring by the hour, and other exploitative forms of labour; labour inspections also increased significantly. Early evaluations of these interventions show that they are having a positive and significant effect on compliance. From 2008 to 2011, the number of workers registered for social security doubled and it increased 81% between 2007 and 2013.

Bono de Desarrollo Humano (‘Human Development Bonus’) of $50 a month aids 1.3 million poor families with children. However, some more recent reports note the erosion of social security with the government reducing its contributions to pensions and health insurance.
Environmental protection

Ecuador is the first country to recognise Rights of Nature in its Constitution, which, rather than treating nature as property under the law, acknowledges that nature in all its life forms has the ‘right to exist, persist, maintain and regenerate its vital cycles’. Thus people have the legal authority to enforce these rights on behalf of ecosystems.  

However, the Correa government has been criticised for criminalising and threatening environmental activists and indigenous people. Some NGOs have lamented Correa’s ‘extractivist’ resource strategy that prioritises short-term revenue generation over environmental protection and indigenous territorial rights and which has often failed to adequately consult with indigenous landholders before pursuing projects which affect their land. Activists have noted that extractivism is at odds with the principles of *Sumak Kawsay*, which should protect the environment and nature. The government has also been criticised for temporarily closing down a well-known environmental organisation, Acción Ecológica, as a way of punishing it for critiquing the government and for its role in anti-mining protests.

In the field of renewable energy Ecuador has performed significantly better. By 2015 it had cut the rate of deforestation in half, and pays communities, mostly in the Amazon, to protect forests by permitting only fishing and hunting within them. At the 2015 Paris climate summit, Correa called for an International Court of Environmental Justice to punish multinational corporations and developed countries’ environmental crimes and for reparations for their ecological debt they have caused through their plundering of resources, carbon dioxide emissions, production of technological waste and their role in climate change. Ecuador also made the significant proposal to leave oil in the Amazon Yasuni area in the ground to preserve the Yasuni’s unique biodiversity as a world treasure and carbon sink. However, a small part of this area – amounting to 3/4 of a square mile – was eventually opened for drilling.
Does market fundamentalism explain other country successes?

Two countries regularly upheld as development success stories are Chile and Botswana. To what extent do these countries owe their success (to the extent that they have succeeded) to market fundamentalist policies?

Chile after 1973 is the most upheld example of a market fundamentalist success story. Yet the evidence suggests that, although liberalisation and market reforms did bring about some reductions in poverty and significant growth in the economy, this was accompanied by major increases in inequality, ongoing dependence on copper exports and high unemployment. Moreover, while Chile has maintained a largely free market model, its successes are not only explained by liberalisation policies but also owe much to a mixed model, including state intervention in the economy.

Poverty fell in Chile from 45% in 1985 to 13.7% in 2006. Thus most of the reduction in poverty took place in the late 1980s onwards, well after the country’s experiment with ‘pure market fundamentalism’ following the 1973 coup. At the same time, inequality increased. By the early 2000s, the richest 20% of Chileans received 17 times more income than the poorest 20%. A report for the UN University on Chile’s economic development notes that its ‘free market revolution’ which has been portrayed as the development model to follow for emerging economies has been ‘accompanied by the concentration of income and wealth in the hands of powerful and politically influential economic elites’. The same author notes:

The Chilean development story of the last two to three decades is a mix of successes in the macro, growth, poverty and trade fronts but also of failure in reducing chronic inequality of income and wealth. In addition, the current growth patterns have serious impacts on the environment, natural resources and
Chile’s economic strategies

In 1975 the military regime under General Pinochet, which had seized power in 1973 overthrowing a democratically-elected government, launched a radical macro-economic programme including cuts in the government budget, liberalisation of most previously controlled prices, privatisation of nationalised companies and liberalisation of the exchange rate. This was followed in 1981 by liberalisation of health and education services allowing new profit-led private schools and universities to freely compete for public subsidies for operation and infrastructure; this led to over half of primary and secondary students attending private schools.214

But the results of this market fundamentalist reform were far from favourable and the Chilean economy was pushed to an acute crisis in 1982-83 with huge economic and social impacts: GDP fell by 14%, unemployment exceeded 30% and poverty levels increased.215 The second stage of the dictatorship after 1982 involved a series of foreign debt renegotiations and policy interventions aimed to balance the external deficit: such as trade tariff increases, selective export incentives and the direct take-over by the government of the collapsed financial system, which was later privatised again when their balance sheets were in order thanks to heavy public subsidies to banks and debtors costing the Treasury some 35% of annual GDP. At the end of this period, the economy had recovered, while income distribution had worsened even further than in the 1970s.216

After 1990, when a democratic government took power, Chile maintained the free market model but introduced social policies such as labour and tax reforms which attempted to achieve ‘growth with equity’ and build a social market economy. In practice, this tempered market fundamentalism and was partly geared to protecting vulnerable groups while investing in institutions that would help compensate for market deficiencies.217

energy demand. Adverse features of the Chilean development model include urban insecurity and rising crime, pollution, pressure on natural resources, congestion and social stratification in access to education, health and pensions.221

Chile’s health system underwent a drastic market fundamentalist reform in the 1980s, with the creation of a dual system – public and private health insurance and public and private provision of health services – which provided a model for later World Bank-inspired reforms in other countries. An academic study of the reform concludes that the private part of the Chilean health system, including private insurers and private providers, is:

highly inefficient and has decreased solidarity between rich and poor; sick and healthy, and young and old. In spite of serious underfinancing during the Pinochet years, the public health component remains the backbone of the system and is responsible for the good health status of the Chilean population. The Chilean health reform has lessons for other countries in Latin America and elsewhere: privatisation of health insurance services may not have the expected results according to neoliberal doctrine. On the contrary, it may increase unfairness in financing and inequitable access to quality care.223

But Chile has not promoted only market fundamentalist policies. James Cypher, of California State University, notes that ‘Chile’s economic performance has been mixed, and its successes owe more to state intervention than to the invisible hand of the free market’. He adds: ‘it would be hard to find any major sector of the economy that did not owe much of its existence to state intervention –intervention which continued in a variety of forms under the nominally market fundamentalist Pinochet dictatorship’.224

Cipher notes that Chile’s export boom undeniably fuelled the country’s economic growth in the late 1980s and 1990s when per capita income grew by 88%. But he states that the increase in resource-based exports owes much to policies of the state: most of the strategies – such as new product development, risk capital, technical training/advising, marketing, quality control – were products of state intervention.225 It is also significant that, notwithstanding Chile’s commitment to privatisation, the Corporación Nacional del Cobre de Chile (CODELCO), the world’s leading copper producer, is still state-owned and is a considerable source of public revenues.226
Botswana is usually regarded as mainland Africa’s biggest development success, owing to its political stability and absence of conflict, high economic growth, rising incomes and prudent management of the country’s key nature resource – diamonds. Botswana does stand out in sub-Saharan African but it is only a partial success: around a fifth of the population lives in poverty, there is a high level of inequality and the country is still dependent on diamonds. Most importantly for this study, Botswana’s successes cannot be explained by market fundamentalism, or in fact by alternatives to market fundamentalism. Botswana’s limited success is mainly due to the quality of its state institutions and how well these have managed economic policy.

Botswanans have seen their fortune change in the last few decades:

- They had an average income of just $70 a year at independence in 1966. Forty years later this had risen to about $6,100 ($12,000 at purchasing power parity), making Botswana an upper-middle-income country comparable to Chile or Argentina.
- Poverty rates declined from 50% at independence to just over 19% today.

- At independence, life expectancy at birth was just 37 years. By 1990 it was 60, 10 years above the African average. Under-five mortality had fallen to about 45 per 1,000 live births in 1990, compared with 180 for Africa as a whole.

From 1966 to 2014, Botswana was the third fastest growing economy in the world – by per capita GDP – after China and South Korea. The government’s education expenditure has also been among the highest in the world, at around 9% of GDP, and includes the provision of nearly universal and free primary education. Botswana has achieved an adult literacy rate of 85%, and nearly 90% of children are enrolled in primary school.

Botswana’s success cannot be explained by either market fundamentalism or non-market fundamentalism. In its critical sector – mining – it has pursued a middle way. Instead of nationalising the fledgling diamond industry in the 1960s or handing it over completely to the key diamonds producer, De Beers, the government established a public-private partnership with the company. The government gets a large cut of the profits as well as a decision-making role on the corporation’s board. Botswana has not suffered
from the resource curse that many other African countries have, one key reason being government investment in public goods and infrastructure. An analysis for the World Bank concludes: ‘the key to successfully harnessing natural resources lay in good governance and good policies.’

A report for the African Development Bank notes that Botswana’s success story demonstrates that four aspects of governance are particularly important for natural resource management: giving voice and accountability to stakeholders and citizens; ensuring the effectiveness of government policies’ promoting market friendly regulation; and having anticorruption policies.

More broadly, most analyses highlight the importance of Botswana’s state institutions and good governance and its ‘prudent economic management.’

A report for the UN University concludes that:

the economic success of Botswana can be explained by the historical development of its institutions which is related to the trajectory of the Tswana states over the past 200 years. These institutions created a much more stable and accountable government than elsewhere in Africa after independence with the desire and incentive to adopt good economic policies.

Some analysts also put down success to Botswana’s good political leadership, which, since independence, has designed and fostered the conditions of governance that have ensured stability and social and economic progress:

The government established respect for property rights and the rule of law. It maintained a high degree of transparency, which was reinforced by continuing the Tswana tribal tradition of consultation. These consultative institutions, known as kgotla, created a degree of trust in the government – the sense that government exists to serve the people and promote development and is not the instrument of one group or individuals for the purpose of getting hold of the wealth. Tswana tradition also respected private property; the fact that many of the tribal leaders who helped usher in modern government were also large cattle owners may have reinforced this respect.

Botswana’s success needs to be qualified, however, due to its high level of poverty and high unemployment (18%) and high level of inequality which is among the highest in the world. The HIV/AIDS pandemic has further exacerbated the situation; the HIV/AIDS adult prevalence rate remains at 22%, contributing to education and health outcomes that are below those of countries in the same income group.
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51. ibid.


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Equity, ecologically-sustainable development and peace are at the heart of our vision of a better world – a world in which a healthy life for all is a reality; a world that respects, appreciates and celebrates all life and diversity; a world that enables the flowering of people’s talents and abilities to enrich each other; a world in which people’s voices guide the decisions that shape our lives.

PEOPLE’S CHARTER FOR HEALTH