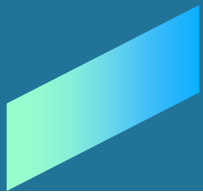
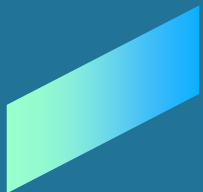
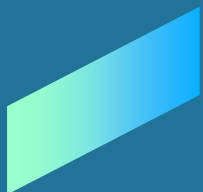
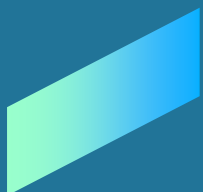
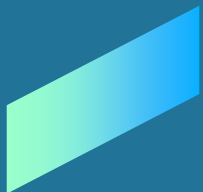
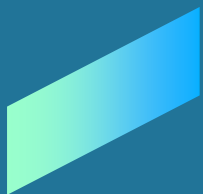




Market Economy and Poverty Alleviation

**Siegfried Herzog
Friedrich-Naumann-Stiftung**



Unequal Starting Conditions

Improve starting conditions through:

- ☼ **Quality Education -vouchers, local government, but not central education bureaucracy**
- ☼ **Quality Health services - vouchers, insurance, local government but not health bureaucracy**
- ☼ **Targetted transfers instead of price-fixing**



Lack of Economic Opportunities

High transaction costs

- insufficient infrastructure
- Monopolies/cartels drive up transport costs
- Bureaucracy and politics create corruption and low security of contracts

⦿ Lack of Capital

- inefficient property rights
- inefficient capital markets

Lack of Economic Opportunities

Dynamise Economy through:

- ⊗ **De-bureaucratisation and De-politisation**
 - From player to umpire: Government safeguards competition
- ⊗ **Organizing Infrastructure**
 - to build or let build
- ⊗ **Opening the economy**
 - Free trade works - the poorest countries are also the least free
- ⊗ **Strengthening rule of law**

Unequal Access to Opportunities

- ❁ **The informal sector exists because the costs of formality are too high for the poor**
- ❁ **The informal economy saves on taxes and regulations but spends on protection and risk**
- ❁ **The assets of the poor are dead capital**
- ❁ **Most „informals“ would prefer to be „formals“**

A word on property rights

- ⦿ **property rights are at the heart of the market**
- ⦿ **Property rights create virtual assets: capital**
- ⦿ **Property rights allow the creation of credit**
- ⦿ **Disputed or undefined or unenforceable property rights prevent capital formation**
- ⦿ **Safe and efficient property rights empower individuals**



Unequal Access to Opportunities

Smash the Bell Jar - Build Institutions for the poor

- ⦿ **Lower transaction costs - simple rules for the economy of the poor**
- ⦿ **Property rights: from squatters to owners - legalise reality**
- ⦿ **Self-help organisations**
- ⦿ **Microcredit and -insurance**